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TOWN OF FALMOUTH, MAINE
Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2015

Prepared by:

Peter McHugh
Finance Director

TOWN OF FALMOUTH, MAINE
Comprehensive Annual Financial Report
For the year ended June 30, 2015

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INTRODUCTORY SECTION

TOWN OF FALMOUTH, MAINE

December 21, 2015

To the Town Council and Citizens of the Town of Falmouth:

Maine state statutes and the Falmouth Town Charter require that the Town issue annually a financial report audited in accordance with generally accepted auditing standards. Pursuant to these requirements, we hereby issue the comprehensive annual financial report of the Town of Falmouth, Maine, for the fiscal year ended June 30, 2015.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Runyon Kersteen Ouellette, Certified Public Accountants, has issued an unmodified ("clean") opinion on the Town of Falmouth, Maine's financial statements for the year ended June 30, 2015. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

The Town is required to undergo an annual single audit in conformity with the Single Audit Act of 1984 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs, is included in the single audit section of this report.

Profile of the Town of Falmouth

The Town of Falmouth, incorporated in 1718, is located in the southern part of the State of Maine, in Cumberland County, directly north of the City of Portland. The Town currently occupies a land area of 32 square miles and serves a population of 11,185. Under Maine statutes, the Town is empowered to levy a property tax on both real and personal property located within its boundaries.

The Town has operated under the Council-Manager form of government since 1962. Policy-making and legislative authority is vested in a seven-member Town Council. The Town Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the Town Manager. The Town Manager is responsible for carrying out the policies and ordinances of the Town Council, for overseeing the day-to-day operations of the Town, and for appointing the heads of the Town's departments. The Council is elected on a non-partisan basis. Council members are elected to three-year staggered terms. All Council members are elected at large.

The Town of Falmouth provides a full range of services, including police, ambulance and fire protection; the construction and maintenance of highways, streets, and other infrastructure; recreational activities; elementary and secondary education; harbor control and emergency preparedness; municipal planning, assessing, building inspection and code enforcement; and wastewater treatment. Under the Town Charter, the Town of Falmouth's School Department is a department of the Town with an elected school board and an appointed Superintendent of Schools.

The annual budget serves as the foundation for the Town of Falmouth's financial planning and control. Each spring, all departments of the Town, including the School Department, submit requests for appropriation to the Town Manager so that a budget may be prepared. The Town Manager uses these requests as the starting point for developing a proposed budget. The Town Manager then presents this budget to the Town Council for review in April. The Town Council is required to hold a public hearing on the proposed budget before a final budget is adopted. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police); (note that Wastewater and the Vehicle Maintenance Internal Service Fund also carry a budget).

The budget includes information on the past year, current year estimates, and requested appropriations for the next fiscal year. The Town Manager may make transfers of appropriations within a function. Transfers of appropriations between functions require the approval of the Town Council. The legal level of budgetary control is the function level. Expenditures may not legally exceed budgeted appropriations at the function level without Town Council approval. Budget-to-actual comparisons are provided in this report for the General Fund. This comparison is presented on page 34 as part of the basic financial statements for the governmental funds.

Local Economy

Falmouth is primarily a residential suburb of Portland, with two commercial corridors containing both retail and office developments. The Town exhibits above average wealth and housing levels with per capita growth outpacing that of the state. The Town experienced a rapid tax base growth in the late 1980's. This growth stabilized in the early 1990's and has increased again since the late 1990's. From 2014 to 2015, the Town's taxable base grew by \$42 million, an increase of 1.8%. The Town's current-year property tax collection rate remained at a very healthy 97.1% collected by June 30, 2015.

Several factors continue to work in the Town's favor in the current economic climate. First, residential building activity and development in Falmouth showed continued stability despite tepidness in state and national new construction. 49 building permits for new construction were issued this year, including 42 permits for new single-family residential housing and 7 permits for new commercial buildings.

Finally, relative to many other municipalities, the Town has an extremely *diversified* tax base, with its largest taxpayer comprising only 2.41% of its total tax base, and its top ten taxpayers *combined* representing only 8.25% of the total tax base. The commercial tax base is well balanced, with strong retail, office and service sectors. Major companies with headquarters or divisions located within the Town include a large national computer software firm and a large regional bank back-office facility.

The Town's two retail corridors have a very high occupancy rate with a variety of specialty stores and restaurants, as well as several large retail and supermarket outlets. According to the latest available census figures, an approximate total of 6,362 workers are employed in Falmouth. The Town also serves as a regional employment center, with over 63% of its total workforce residing in surrounding communities.

Long-term Planning

In preparing for the future, the Town has identified infrastructure and capital projects to meet the demand for services, while continuing to meet the rising fixed costs necessary to deliver services and programs to support the function of all operations. Among these capital investments and programs are road construction, housing, open space planning, recreational activities, equipment purchases, and building construction and renovations. These initiatives were done in accordance with the Town's basic financial planning document, its ten-year Capital Improvement Plan, which is reviewed and updated annually by the Town Council.

This year's capital plan calls for a continuation of the road and sidewalk improvements to sections of Falmouth, Mountain Road Resurfacing, park lighting upgrades at Huston Park, Route One culvert replacements, Route One median islands between Brown and Hammond Streets, and the completion of the Route One infrastructure project.

This year's multi-year equipment replacement plan also calls for the purchase of a dump/plow truck for Public Works, two new police cruisers for the Police Department, replacement of 2 heavy-duty trucks for the Fire Department and continued upgrades to the Town's computer network and equipment.

In addition to its multi-year capital improvement and equipment replacement plans, the Town continues to be engaged in significant long-range land use planning. In 2014-15, the Town made progress on a number of long-range planning initiatives including the following:

1. Completed the community's first comprehensive Economic Development Plan.
2. Began work on recommendations to amend land use ordinances to ensure growth is encouraged in areas targeted for growth and maintain slower growth in low growth areas.
3. Prioritized capital improvements to ensure adequate supporting infrastructure is available to accommodate growth in growth areas.
4. Initiated a new bicycle and pedestrian infrastructure plan.
5. With the help of an ad-hoc Route 100 planning committee created a vision for the Route 100 Corridor which includes infrastructure investments and a mix of residential, commercial and retail uses, along with a plan for infrastructure improvements.
6. Completed the renovation of a new community center through re-purposing a former elementary school.
7. Initiated a waste water collection and treatment capacity study with plans for increasing capacity by reducing infiltration and inflow and identifying opportunities for future public sewer expansion and investment.
8. Planned for the continued expansion of natural gas lines throughout the community.
9. Continued its efforts to reformat and rewrite portions of the Town's land use regulations with an objective to remove inconsistencies and improve ease of use by staff and applicants.
10. Created a fourth TIF district covering the Ocean View retirement community and the natural gas pipeline network.

In 2015-16, the Town expects to complete some of the initiatives mentioned above and will consider additional long range planning initiatives which are included in the Comprehensive Plan. These initiatives include the following:

1. Develop a plan to focus on the overall needs of senior citizens and what role the Town should have with offering and/or facilitating the delivery of services and assistance to senior citizens.
2. Complete the preliminary engineering design for implementation of the Route 100 infrastructure project and seek voter approval of the required funds for that project.
3. With help of a new ad hoc committee, develop a land use and infrastructure plan for Route 1 North from the Turnpike spur to the Cumberland Town line.

4. In partnership with the Portland Water District, develop a comprehensive water system study identifying opportunities for water line extension and financing.
5. Develop a “complete streets” plan for the Route 1 corridor aimed at meeting the transportation needs of all users.
6. Develop a plan for the community’s 300th anniversary celebration in 2018.

Relevant Financial Policies

Unassigned fund balance in the General Fund exceeds the target balance of 16.7% (two months) of budgeted expenditures specified in the Town of Falmouth’s fund balance policy. The Town also reserves \$1,000,000 over that amount for future capital expenditures. According to the policy, funds in excess of the targeted balance may, with the approval of the Falmouth Town Council, be used for such non-operating fiscal purposes as additional capital improvements or debt reduction.

Major Initiatives

In addition to significant long range planning initiatives, there are other major projects or initiatives, which will have a significant impact on the future of the Town. Some of these initiatives include but are not limited to:

1. Complete the Route One Corridor improvement project.
2. Begin the replacement of a major waste water collection pump station and associated force mains at Mill Creek.
3. Plan for the reconstruction and expansion of the Memorial Library.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Falmouth, Maine, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This was the 23rd consecutive year that the Town has received this prestigious award. In order to be awarded a Certificate of Achievement, the Town published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the Finance Department staff. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report. Credit must also be given to the Falmouth Town Council for its unfailing support for maintaining the highest standards of professionalism in the management of the Town’s finances.

Sincerely,

Nathan A. Poore
Town Manager

Peter M. McHugh
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

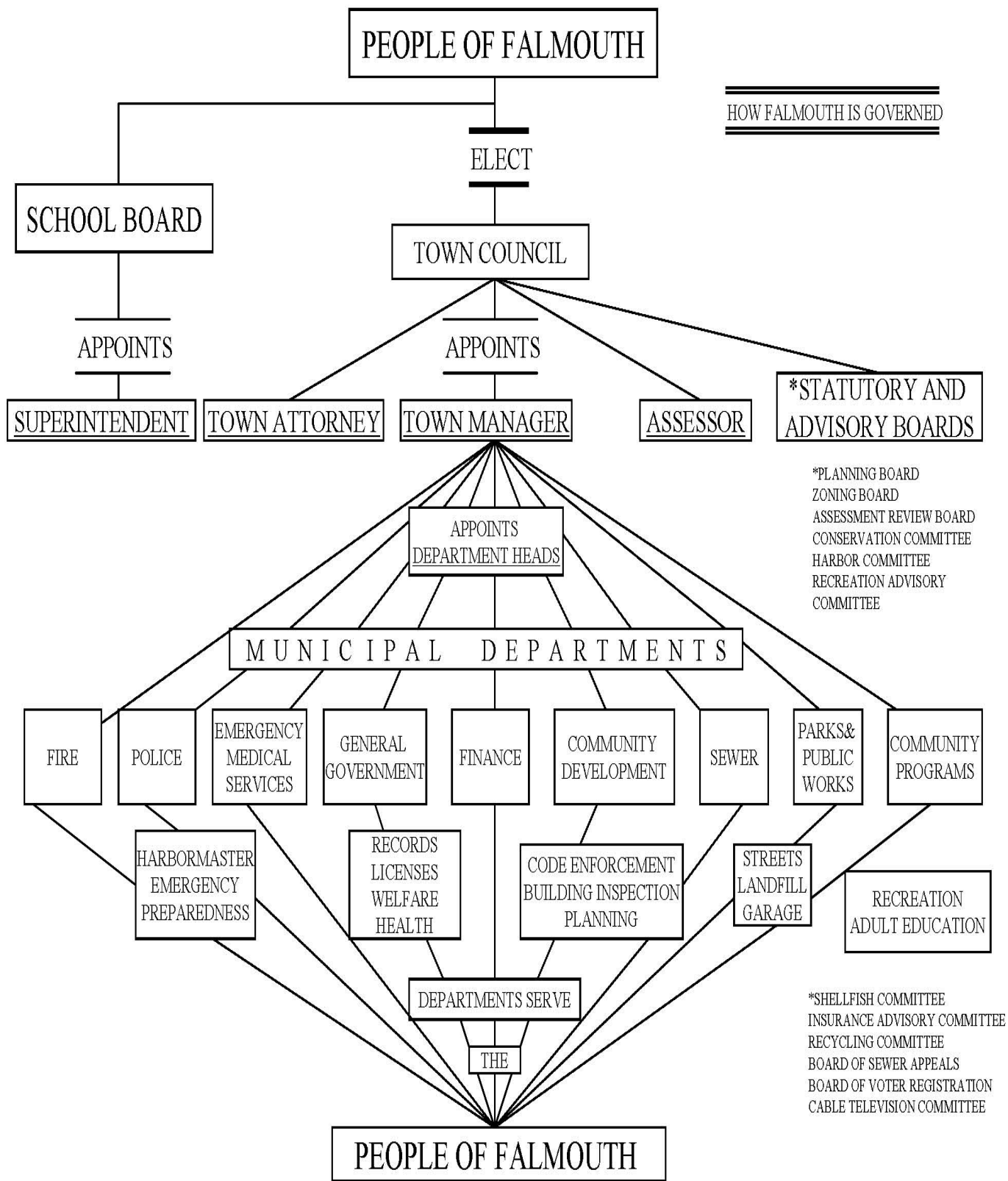
Presented to

**Town of Falmouth
Maine**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



TOWN OF FALMOUTH, MAINE
List of Principal Officials
June 30, 2015

<u>Title</u>	<u>Name</u>
Council Member	David Goldberg, Chair
Council Member	Russ Andersen, Vice Chair
Council Member	Karen Farber
Council Member	Claudia King
Council Member	Caleb Hemphill
Council Member	Charlie McBrady
Council Member	Ned Kitchel
Town Manager	Nathan Poore
Assessor	Gary James
Code Enforcement Officer	Justin Brown
Community Programs Director	Alexis D'Ascanio
Community Development Director	Amanda Stearns
Economic Development Director	Theo Holtwijk
Finance Director	Peter McHugh
Fire Chief	Howard Rice
Information Systems Director	Jennifer Phinney
Police Chief	Edward Tolan
Public Works Director	Jay Reynolds
Town Clerk	Ellen Planer
Wastewater Treatment Superintendent	Robert Clark
School Board member	Lucy Tucker, Chair
School Board member	Cindy Han
School Board member	Dee Conroy-Vella
School Board member	Claire Harrington
School Board member	Caryn Bickerstaff
School Board member	Danielle Tracy
School Board member	Josh Barrett
School Business Manager	Dan O'Shea
Superintendent	Geoff Bruno

FINANCIAL SECTION

Independent Auditor's Report

Town Council
Town of Falmouth, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of Town's proportionate share of the net pension liability, schedule of Town contributions, and the schedule of funding progress for the retiree healthcare plan as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Falmouth, Maine's basic financial statements. The introductory section, combining and individual fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Town Council
Town of Falmouth, Maine

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2015 on our consideration of the Town of Falmouth, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Falmouth, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Remya Kristen Ouellette". The signature is written in a cursive, flowing style.

December 21, 2015
South Portland, Maine

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis
June 30, 2015

As management of the Town of Falmouth, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town of Falmouth for the fiscal year ended 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the Town of Falmouth exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$82,447,211 (*net position*). Of this amount, \$16,709,575 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town of Falmouth's total net position increased by \$2,755,700.
- As of the close of the current fiscal year, the Town of Falmouth's governmental funds reported combined ending fund balances of \$25,959,840, a decrease of \$11,396,316 in comparison with the prior year. This is detailed as follows:
 - The General Fund decreased \$1,614,782. This was due to current year net appropriations (\$3,164,618) to other funds. This was offset by favorable operations of \$1,549,836.
 - The capital project fund decreased \$1,964,864. This was due to current year appropriations from other funds equaling \$3,266,292 offset by net capital spending of \$5,472,274.
 - The Route One South TIF District fund decreased by \$7,784,688 as spending of \$9,229,554 on the Route One Infrastructure project was offset by revenues of \$1,444,866.
 - Other funds, such as special revenue funds and the remaining TIFs, decreased \$31,982. Revenues of \$4,106,644 consisting mostly of property taxes for the TIFs (\$1,105,425), miscellaneous revenues (\$355,029), charges for services (\$1,925,541) and intergovernmental revenues (\$718,353). Expenses of \$4,036,952 consisting mostly of school related expenditures (\$1,846,601), community programs and parks expenditures (\$715,023) and community development expenditures (\$708,055). The balance (\$767,273) is made up of expenditures in other departments such as Public Safety and General Government. Excess revenues of \$69,692 were offset by a \$101,674 transfer out to the General Fund.
- At the end of the current fiscal year, the Town unassigned fund balance for the General Fund was \$10,578,837.
- During the fiscal year, the Town paid \$3,980,000 in principal payments on previously issued general obligation debt and \$324,000 on previously issued sewer revenue bond debt.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Falmouth's basic financial statements. The Town's financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town of Falmouth's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town of Falmouth that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works (highways, streets, and solid waste disposal), education, and parks and recreation. The Town has one business-type activity, its wastewater treatment operation.

The government-wide financial statements can be found on pages 29-30 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Falmouth, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town of Falmouth maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Route One South TIF District, and the capital project fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Town of Falmouth adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 31-34 of this report.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

Proprietary funds. The Town of Falmouth maintains two different types of proprietary funds. The *enterprise fund* is used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town of Falmouth uses the enterprise fund to account for its wastewater treatment operations. The *internal service fund* is an accounting device used to accumulate and allocate costs internally among the Town's various functions. The Town uses the internal service fund to account for the maintenance of its motor vehicle fleet. Because this service predominantly benefits governmental rather than business-type functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 35-37 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the Town of Falmouth's own programs. The fiduciary funds utilize the accrual basis of accounting.

The basic fiduciary fund financial statement can be found on page 38 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-62 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the basic financial statements. Combining and individual fund statements and schedules can be found on pages 69-79 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Falmouth, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$82,447,211 at the close of the most recent fiscal year.

	Town of Falmouth's Net Position					
	Governmental Activities		Business-type Activities		Total	
	2015	Restated 2014	2015	2014	2015	Restated 2014
Current and other assets	\$ 30,876,212	42,781,262	3,486,661	3,203,981	34,362,873	45,985,243
Capital assets	99,009,941	89,679,765	15,842,332	16,150,638	114,852,273	105,830,403
Total assets	129,886,153	132,461,027	19,328,993	19,354,619	149,215,146	151,815,646
Deferred outflows of resources	1,105,305	673,903	-	-	1,105,305	673,903
Non-current liabilities outstanding	54,259,316	63,517,532	3,693,381	4,009,416	57,952,697	67,526,948
Other liabilities	8,373,103	4,894,177	449,441	376,913	8,822,544	5,271,090
Total liabilities	62,632,419	68,411,709	4,142,822	4,386,329	66,775,241	72,798,038
Deferred inflows of resources	1,097,999	-	-	-	1,097,999	-
Net investment in capital assets	45,611,250	41,041,245	11,954,332	11,938,638	57,565,582	52,979,883
Restricted	8,172,054	8,483,144	-	-	8,172,054	8,483,144
Unrestricted	13,477,736	15,198,832	3,231,839	3,029,652	16,709,575	18,228,484
Total net position	\$ 67,261,040	64,723,221	15,186,171	14,968,290	82,447,211	79,691,511

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

By far, the largest portion of the Town of Falmouth's net position (70%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Falmouth's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$16,709,575) may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Falmouth is able to report positive balances in all three categories of net position, investment in capital assets and unrestricted assets, both for the government as a whole, as well as for its separate business-type activities.

The large increase in deferred outflows and inflows of resources is due to the adoption of GASB 68. For further information on this change, please see the Notes to Basic Financial Statements on page 59.

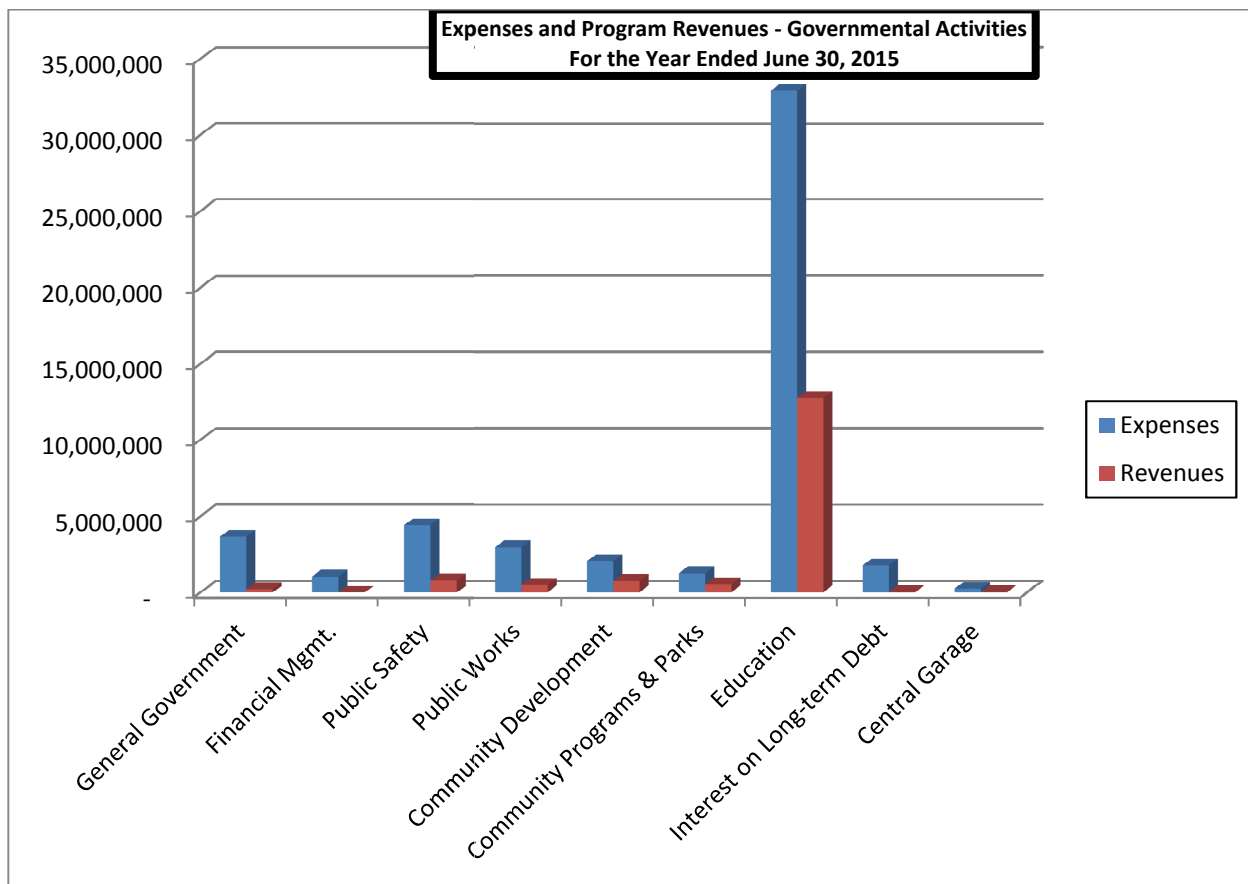
Town of Falmouth's Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 3,234,359	2,674,373	1,750,443	1,692,615	4,984,802	4,366,988
Operating grants and contributions	12,357,354	11,707,971	380,737	326,673	12,738,091	12,034,644
Capital grants and contributions	241,118	198,649	132,600	-	373,718	198,649
General revenues:						
Property taxes	32,854,038	32,220,901	-	-	32,854,038	32,220,901
Excise taxes	3,040,917	2,911,618	-	-	3,040,917	2,911,618
Cable TV franchise taxes	210,467	210,542	-	-	210,467	210,542
Grants not restricted to specific programs	776,762	796,872	-	-	776,762	796,872
Other	182,380	205,154	6,100	5,167	188,480	210,321
Total revenues	52,897,395	50,926,080	2,269,880	2,024,455	55,167,275	52,950,535
Expenses:						
General government	3,683,548	3,586,007	-	-	3,683,548	3,586,007
Financial management	1,049,103	978,002	-	-	1,049,103	978,002
Public safety	4,419,078	4,093,811	-	-	4,419,078	4,093,811
Public works	2,957,355	4,439,658	-	-	2,957,355	4,439,658
Community programs & parks	1,270,322	1,080,035	-	-	1,270,322	1,080,035
Community development	2,069,053	578,546	-	-	2,069,053	578,546
Education	32,903,013	31,460,774	-	-	32,903,013	31,460,774
Central garage	239,277	-	-	-	239,277	-
Interest on long-term debt	1,768,827	1,618,608	-	-	1,768,827	1,618,608
Wastewater treatment	-	-	2,051,999	1,896,432	2,051,999	1,896,432
Total expenses	50,359,576	47,835,441	2,051,999	1,896,432	52,411,575	49,731,873
Increase in net position	2,537,819	3,090,639	217,881	128,023	2,755,700	3,218,662
Net position--July 1, restated	64,723,221	62,476,709	14,968,290	14,840,267	79,691,511	77,316,976
Net position--June 30	\$ 67,261,040	65,567,348	15,186,171	14,968,290	82,447,211	80,535,638

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

The Town of Falmouth's net position increased by \$2,755,700, or 3.5%, during the current fiscal year. Total governmental activities' revenue increased by \$1,971,315 or 3.9% over the prior year primarily due to increased operating grants and contributions of \$649,383, an increase in taxes of \$762,436, and an increase in charges for services of \$559,986.

Total expenses increased \$2,679,702 or 5.4% from the prior year. The increase was driven by increases in school operating expenses (\$1,442,239), an increase in Community Development of (\$1,490,507), an increase in Public Safety (\$325,267), an increase in Wastewater expenses (\$155,567) and an increase Community Programs and Parks expenses (\$190,287) offset by a decrease in Public Works of (\$1,482,303).

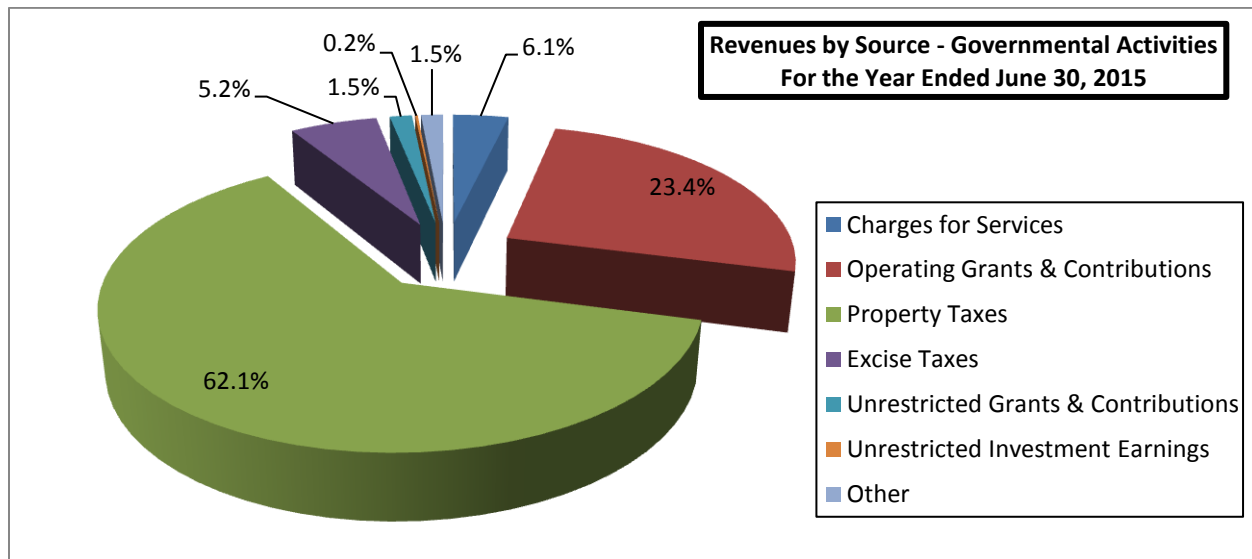
Governmental activities. Governmental activities increased the Town of Falmouth's net position by \$2,537,819 thereby accounting for substantially all (92%) of the total growth in the Town's net position. The following charts illustrate total expenses and revenues by program and revenues by source for all governmental activities. Key elements of this increase are as follows:



- Property tax revenues increased by \$633,137 or 2.0% during the year. The tax rate decreased from 14.12 mils to 14.10 mils in 2015 or 0.14%. This with a 1.8% increase in total property valuation, and strong tax collection efforts, reflected in the Town's continued high tax collection rate of 97.1% collected by June 30, 2015 resulted in the increase.
- Excise taxes increased \$129,299 or 4.4% from the prior year as new car sales continue to see strong growth.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

- Operating grants and contributions increased \$649,383 mostly due to increases in amounts received for Route One South infrastructure, public safety and land acquisition.
- General government line item expenses increased by \$97,541 or 2.7%. This is primarily due to an increase in the County Tax Assessment (\$54,798) and increased operating expenses (\$50,913).
- Public safety overall expenses increased \$325,267 primarily due to increased employee costs and special detail expenses.
- Public works decreased by \$1,482,303 primarily due to reduced CIP expenditures (\$983,000), the movement of internal fund expenses for the garage to a separate line item (\$239,277) and reclassifying parks vehicle depreciation (\$167,000) to the parks department.
- Community development expenses increased \$1,490,507 primarily due to the movement of TIF Developer payments (\$708,055), TIF depreciation and CIP (\$474,995) and TIF spending (\$321,290) to this line item, offset by a reduction in operating expenses of \$13,833.
- Community programs and parks expenses increased \$190,287 primarily due to increased recreation and adult education special revenue expenses (\$35,000) and increases in operating expenses (\$20,007). The remainder is primarily due to moving depreciation expense for parks vehicles from Public works where they were reported in FY 2014.
- Education line-item expenses increased by \$1,442,239 in 2015 compared to 2014 primarily due to an increase in school operating expenses (\$1,127,528) and an increase in depreciation.



Business-type activities. The Town's one business-type activity, its wastewater treatment operation, increased the Town of Falmouth's net position by \$217,881. Key elements of this year's activity are as follows:

- Charges for services increased by \$57,828 from the prior year.
- Operating grants and contributions increased \$54,064.
- Capital grants and contributions increased \$132,600.
- Expenses increased by \$155,567 or 8.2%.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

Financial Analysis of the Government's Funds

As noted earlier, the Town of Falmouth uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town of Falmouth's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town of Falmouth's governmental funds reported combined ending fund balances of \$25,959,840, a decrease of \$11,396,316 from the prior year as restated. This decrease is due to spending the proceeds from 2 issuances of bonds: the Falmouth Middle School renovations (\$777,281), and the Route 1 Infrastructure project (\$9,229,554); appropriated General Fund spending on the renovations of Falmouth Town Hall (\$601,360) and the Mason Motz recreation building (\$984,400); and excess revenues over expenditures in the General Fund (\$1,549,836). Approximately 40% of the governmental funds fund balance (\$10,300,940) constitutes *unassigned fund balance*, which is available for spending at the Town's discretion.

The remainder of the fund balance is as follows: *Special revenue funds* (\$1,007,369), which are committed for a specified purpose; committed for capital projects (\$4,730,117) or are *restricted or nonspendable* (\$9,921,414) to indicate that it is not available for new spending. These amounts are not available for new spending because they have already been classified to account for inventory, unemployment compensation reserves, or projects which have to be completed. Restrictions are established by entities at the State and Federal level or other municipal governments outside of the town.

The General Fund is the chief operating fund of the Town of Falmouth. At the end of the current fiscal year, the fund balance of the General Fund was \$11,672,369 (\$1,093,532 of which has been designated by management, the Town Council, or an outside government as assigned, committed, restricted, or nonspendable). As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23.2% of total General Fund expenditures, while total fund balance represents 25.6% of that same amount.

The fund balance of the Town of Falmouth's General Fund decreased by \$1,614,782 during the current fiscal year. Major factors in this year's fund balance activity are as follows:

- General Fund property tax revenues increased by \$538,128 (1.77%) during the year. This increase reflects both a slight increase in total property valuation, a decrease of .14% in the mil rate (from 14.12 to 14.10 mils), as well as strong tax collection efforts, reflected in the Town's continued high tax collection rate of 97.1% collected by June 30, 2015.
- Intergovernmental revenue increased by \$601,982 from the prior year, due to increased state payments to the Schools and increased other School receipts offset by a \$10,033 decrease in state revenue sharing.
- A \$129,299 increase in excise taxes, a \$168,719 decrease in license, fees and permits revenue and a \$39,005 decrease in miscellaneous revenue.
- Net transfers to other funds of \$3,164,618.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

The capital project fund decreased by \$1,964,864, due to capital fund appropriations from the General Fund (\$3,266,292), offset by capital spending of \$5,472,274.

The Route One South TIF District decreased by \$7,784,688 as a result of tax revenue of \$919,673 and miscellaneous revenues of \$525,193, offset by capital spending of \$8,087,851 and debt service payments of \$820,413.

The combined fund balance of the other (non-major) governmental funds decreased by \$31,982, mainly due to revenues of \$4,106,644 (including \$1,105,425 in taxes), offset by expenditures of \$4,036,952.

Proprietary funds. The Town of Falmouth's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Town's wastewater treatment fund amounted to \$3,231,839, and the net position of the fleet maintenance internal service fund amounted to \$16,077. The total increase in net position for the wastewater treatment fund was \$217,881. The total decrease in net position for the internal service fund was \$881.

General Fund Budgetary Highlights

For the current fiscal year, all revenue line-items (with the exception of property taxes, licenses, permits and fees, and fines and forfeitures) exceeded budgetary projections and all expenditure line-items were within budgetary limits except for, community programs (\$1,200). The "Taxes" revenue line-item was below budgetary projection primarily due to the timing of taxes collections.

The Town's written fund balance policy, which authorizes funds in excess of the Town's required minimum unassigned fund balance of two months (or 16.7%) of operating expenditures to be appropriated for "one-time" capital or non-operating uses. The Town also reserves \$1,000,000 in addition to that amount for future capital expenditures.

Capital Asset and Debt Administration

Capital assets. The Town of Falmouth's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$114,852,273 (net of accumulated depreciation), an increase of \$9,021,870. This investment in capital assets includes land, buildings and improvements, land improvements, machinery and equipment, and infrastructure. The total increase in the Town of Falmouth's investment in capital assets for the current fiscal year was 8.5% (a 10.4% increase for governmental activities and a 1.9% decrease for business-type activities).

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

Town of Falmouth's Capital Assets (net of depreciation)						
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 6,728,119	\$ 6,728,119	\$ -	\$ -	\$ 6,728,119	\$ 6,728,119
Construction-in-progress	15,137,027	7,000,910	247,029	105,170	15,384,056	7,106,080
Buildings & improvements	54,451,296	54,209,867	6,671,285	6,794,078	61,122,581	61,003,945
Improvements other than buildings	698,281	760,720	-	-	698,281	760,720
Machinery and equipment	4,416,497	4,361,577	2,240,705	2,329,815	6,657,202	6,691,392
Infrastructure	17,578,721	16,618,572	6,683,313	6,921,575	24,262,034	23,540,147
Total	<u>\$ 99,009,941</u>	<u>\$ 89,679,765</u>	<u>\$ 15,842,332</u>	<u>\$ 16,150,638</u>	<u>\$ 114,852,273</u>	<u>\$105,830,403</u>

Major capital asset events during the current fiscal year included the following:

- A variety of street construction projects throughout the Town were undertaken, including the rehabilitation of Hurricane Road and repaving of Route One, Bucknam and Blackstrap roads. Major building improvements included Falmouth Middle School, Town Hall, and Mason Motz building renovations.
- Major equipment additions include a plow/dump truck for public works, a replacement vehicle for the Fire Chief, three new police vehicles, a new tractor for parks, new computer hardware, and telemetry and other equipment for wastewater.

Additional information on the Town of Falmouth's capital assets can be found in the notes to the basic financial statements on pages 48-49 of this report.

Long-term debt. At the end of the current fiscal year, the Town of Falmouth had total bonded debt outstanding of \$59,124,844. Of this amount, \$55,236,844 consists of general obligation bonds and related premiums backed by the full faith and credit of the Town. The remaining \$3,888,000, of the Town's debt consists of sewer revenue bonds secured solely by sewer user fees.

All Governmental activities long-term debt service requirements are paid by either the General Fund, or the Route One South TIF District fund.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

During the fiscal year, the Town paid \$3,980,000 in principal payments on previously issued general obligation debt and \$324,000 on previously issued sewer revenue bond debt.

During the fiscal year, The Town of Falmouth maintained its "AAA" credit rating from Standard & Poor's and maintained its "Aa1" rating from Moody's Investors Service.

State statutes limit the amount of total debt (for all municipal purposes) that a municipality may issue up to 15% of its total state assessed valuation. The current debt limitation for the Town of Falmouth is \$321,293,000. The Town's actual total outstanding debt of \$59,124,844 (for all municipal purposes) is significantly below the authorized state limit. Additional information on the Town of Falmouth's long-term debt can be found in the notes to the basic financial statements on pages 50-52 of this report.

Economic Factors and Next Year's Budgets and Rates

- With the national housing situation stabilizing, the Town of Falmouth's property tax base itself continues to remain stable, paced by a stable building and real estate construction market. Mirroring slow national trends, Falmouth's taxable valuation base grew by 1.8% in fiscal year 2014-15. A total of 49 building permits for new construction were issued in 2014-15, including 42 permits for new single-family residential housing and 7 permits for new commercial buildings.
- Certain economic areas are showing increased strength. For example, the automobile market's continued strength has led to a strong increase in automobile excise collections. This amount increased 4.4% to \$3,040,917 in Year 2014-15 from \$2,911,618 in the prior year.
- The Town makes a continual effort to ensure that its property tax base is assessed at 100% of market value. A revaluation of commercial and residential properties was conducted in 2009. These revaluations ensure that the Town is fairly and equitably assessing its properties and is utilizing its full property tax base.
- Despite a statewide decline in elementary and secondary school enrollment, the Town's school enrollment figures remain stable, increasing 0.9% since 2010. These enrollment figures ensure that the Town will continue to receive its fair share of state educational aid, which is distributed to municipalities under a formula, which places great weight on student enrollment.
- The major concern for future budget planning continues to be the uncertainty regarding state aid to education and state municipal revenue sharing, combined with the potential loss of federal stimulus money. This uncertainty will require constant monitoring by Town staff of the upcoming state legislative session. It should be noted, though, the Town is close to a minimum receiver on State revenue and education sharing. This results in less reliance on these outside sources, and, as a result, the Town is less vulnerable than many other municipalities.
- The Town continues to monitor the situation regarding the continued depressed interest rates. Unlike many non-profit institutions, the Town has a strict "no risk of principal" policy regarding its investments. Therefore, the Town experienced no loss of principal in its investments during the recent downturn in rates. The Town has seen an improvement in investment earnings over 2014 or 17.2% through an increase in the allocation of funds to FDIC-insured CDs in the Town's investment portfolio.
- The Town has seen the costs of employee health insurance increase significantly in 2015 with increases ranging from 9%-11% depending on the plan. To help offset these increases, the Town offers employees an incentive to take the more cost-effective PPO plan by giving them a share of the cost savings. In addition, the Town has replaced its POS plan with no deductible to a plan with a \$200 single/\$400 family deductible.

TOWN OF FALMOUTH, MAINE
Management's Discussion and Analysis, Continued

Where applicable, the factors above were considered in preparing the Town of Falmouth's budget for the 2016 fiscal year. The primary budgetary objective was to provide basic and referendum approved Town services to its citizens while attempting to keep the property tax rate low. The positive trends noted above helped offset an increase of 4.6% in School costs, partially from construction related debt, and 4.1% County requirements from property taxes and result in a 3.75% increase in the property tax rate in fiscal year 2015-16. The tax rate will increase to \$14.63 per thousand of valuation.

Affecting the future development for the Town:

- The private expansion of natural gas lines to the Town is on-going. Installation of the main line could represent an approximately \$42 million investment in Falmouth and two other towns. The entire project is expected to take between three and five years.
- The Town plans on completing its \$11,700,000 Route 1 South infrastructure improvement project in the Route 1 South TIF area in the 2nd quarter of FY2016, with improvements to the street scape, utilities and other infrastructure to accommodate increased mixed use development and property redevelopment.
- The Town completed the renovation of a former elementary school building and is now using it as the Town Community Center.

Requests for Information

This financial report is designed to provide a general overview of the Town of Falmouth's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Town of Falmouth, Maine, 271 Falmouth Road, Falmouth, Maine 04105.

BASIC FINANCIAL STATEMENTS

TOWN OF FALMOUTH, MAINE
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 6,574,752	-	6,574,752
Investments	21,909,855	3,137,125	25,046,980
Receivables:			
Taxes receivable	1,307,195	-	1,307,195
Accounts receivable	165,505	56,322	221,827
Due from other governments	477,083	293,214	770,297
Notes receivable	283,500	-	283,500
Inventories	135,295	-	135,295
Prepaid items	16,655	-	16,655
Tax-acquired property	6,372	-	6,372
Capital assets not being depreciated	21,865,146	247,029	22,112,175
Capital assets net of accumulated depreciation	77,144,795	15,595,303	92,740,098
Total assets	129,886,153	19,328,993	149,215,146
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	1,105,305	-	1,105,305
Total deferred outflows of resources	1,105,305	-	1,105,305
LIABILITIES			
Accounts payable and other current liabilities	1,549,653	64,048	1,613,701
Accrued payroll	2,584,651	16,467	2,601,118
Accrued interest	239,327	44,926	284,253
Noncurrent liabilities:			
Due within one year	3,999,472	324,000	4,323,472
Due in more than one year	54,259,316	3,693,381	57,952,697
Total liabilities	62,632,419	4,142,822	66,775,241
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	1,097,999	-	1,097,999
Total deferred inflows of resources	1,097,999	-	1,097,999
NET POSITION			
Net investment in capital assets	45,611,250	11,954,332	57,565,582
Restricted for:			
Tax Incremental Financing	6,884,857	-	6,884,857
Perpetual care, nonexpendable	9,632	-	9,632
Education	1,046,928	-	1,046,928
Grants and restricted programs	230,637	-	230,637
Unrestricted	13,477,736	3,231,839	16,709,575
Total net position	\$ 67,261,040	15,186,171	82,447,211

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Activities
For the Year Ended June 30, 2015

					Net (expense) revenue and changes		
					in net position		
					Primary Government		
Functions/programs	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$ 3,683,548	388,559	27,422	-	(3,267,567)	-	(3,267,567)
Financial management	1,049,103	-	1,880	-	(1,047,223)	-	(1,047,223)
Public safety	4,419,078	626,114	179,184	6,449	(3,607,331)	-	(3,607,331)
Public works	2,957,355	510,650	-	-	(2,446,705)	-	(2,446,705)
Community development	2,069,053	33,042	525,406	234,669	(1,275,936)	-	(1,275,936)
Community programs and parks	1,270,322	546,224	1,770	-	(722,328)	-	(722,328)
Education	32,903,013	1,128,358	11,621,692	-	(20,152,963)	-	(20,152,963)
Interest on long-term debt	1,768,827	-	-	-	(1,768,827)	-	(1,768,827)
Central garage	239,277	1,412	-	-	(237,865)	-	(237,865)
Total governmental activities	50,359,576	3,234,359	12,357,354	241,118	(34,526,745)	-	(34,526,745)
Business-type activities:							
Wastewater treatment	2,051,999	1,750,443	380,737	132,600	-	211,781	211,781
Total business-type activities	2,051,999	1,750,443	380,737	132,600	-	211,781	211,781
Total primary government	\$ 52,411,575	4,984,802	12,738,091	373,718	(34,526,745)	211,781	(34,314,964)
General revenues:							
Property taxes					\$ 32,854,038	-	32,854,038
Excise taxes					3,040,917	-	3,040,917
Cable TV franchise taxes					210,467	-	210,467
Grants not restricted to specific programs:							
State revenue sharing					454,033	-	454,033
Homestead exemption					294,896	-	294,896
Other Governmental revenues					27,833	-	27,833
Unrestricted investment earnings					94,277	6,100	100,377
Miscellaneous revenues					88,103	-	88,103
Total general revenues					37,064,564	6,100	37,070,664
Change in net position					2,537,819	217,881	2,755,700
Net position - beginning, as restated					64,723,221	14,968,290	79,691,511
Net position - ending					\$ 67,261,040	15,186,171	82,447,211

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Balance Sheet
Governmental Funds
June 30, 2015

	General	Capital Project Fund	Route One South TIF District	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,514,646	-	-	60,106	6,574,752
Investments	6,580,230	6,017,838	4,037,446	5,274,341	21,909,855
Receivables:					
Taxes	994,664	-	-	-	994,664
Liens	312,531	-	-	-	312,531
Accounts	144,268	-	-	21,237	165,505
Due from other governments	112,432	32,484	-	332,167	477,083
Notes receivable	283,500	-	-	-	283,500
Due from other funds	609,696	-	-	-	609,696
Inventories	7,896	-	-	23,762	31,658
Prepaid items	16,655	-	-	-	16,655
Tax-acquired property	6,372	-	-	-	6,372
Total assets	\$ 15,582,890	6,050,322	4,037,446	5,711,613	31,382,271
LIABILITIES					
Accounts payable	559,879	89,655	839,610	57,361	1,546,505
Accrued payroll	2,584,651	-	-	-	2,584,651
Due to other funds	-	-	-	525,284	525,284
Total liabilities	3,144,530	89,655	839,610	582,645	4,656,440
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues - property taxes	653,069	-	-	-	653,069
Unavailable revenues - ambulance	112,922	-	-	-	112,922
Total deferred inflows of resources	765,991	-	-	-	765,991
FUND BALANCES					
Nonspendable	308,051	-	-	23,762	331,813
Restricted	785,481	1,441,309	3,197,836	4,164,975	9,589,601
Committed	-	4,730,117	-	1,007,369	5,737,486
Unassigned	10,578,837	(210,759)	-	(67,138)	10,300,940
Total fund balances	11,672,369	5,960,667	3,197,836	5,128,968	25,959,840
Total liabilities, deferred inflows of resources, and fund balances	\$ 15,582,890	6,050,322	4,037,446	5,711,613	

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	99,009,941
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the funds.	765,991
Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	16,077
Long-term liabilities that are not due and payable in the current period and therefore are not reported in the funds:	
Accrued compensated absences	(946,534)
Accrued interest	(239,327)
Other postemployment benefits	(677,292)
Landfill postclosure care liability	(80,000)
Net pension liability with related deferred outflows and inflows of resources	(1,310,812)
Bonds payable, including unamortized premiums	(55,236,844)

Net position of governmental activities	\$ 67,261,040
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The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General	Capital Project Fund	Route One South TIF District	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 30,888,063	-	919,673	1,105,425	32,913,161
Excise	3,040,917	-	-	-	3,040,917
Licenses, permits and fees	448,332	-	-	-	448,332
Intergovernmental	11,537,637	45,403	-	718,353	12,301,393
Charges for services	1,031,112	-	-	1,925,541	2,956,653
Fines and forfeitures	48,245	-	-	-	48,245
Investment earnings	91,981	-	-	2,296	94,277
Miscellaneous	86,008	195,715	525,193	355,029	1,161,945
Total revenues	47,172,295	241,118	1,444,866	4,106,644	52,964,923
EXPENDITURES					
Current:					
General government	1,083,267	-	-	333,163	1,416,430
Financial management	1,049,103	-	-	-	1,049,103
Public safety	3,744,486	-	-	136,363	3,880,849
Public works	1,971,385	-	-	296,557	2,267,942
Community development	548,828	-	321,290	708,055	1,578,173
Community programs and parks	392,772	-	-	715,023	1,107,795
Education	29,430,820	-	-	1,111,326	30,542,146
Non-departmental	990,959	-	-	1,190	992,149
County tax	1,376,320	-	-	-	1,376,320
Food service	-	-	-	735,275	735,275
Debt service:					
Principal	3,390,000	-	590,000	-	3,980,000
Interest	1,644,519	-	230,413	-	1,874,932
Capital outlay:					
Capital improvements	-	5,472,274	8,087,851	-	13,560,125
Total expenditures	45,622,459	5,472,274	9,229,554	4,036,952	64,361,239
Excess (deficiency) of revenues over (under) expenditures	1,549,836	(5,231,156)	(7,784,688)	69,692	(11,396,316)
Other financing sources (uses):					
Transfers in	10,870	3,266,292	-	-	3,277,162
Transfers out	(3,175,488)	-	-	(101,674)	(3,277,162)
Total other financing sources (uses)	(3,164,618)	3,266,292	-	(101,674)	-
Net change in fund balances	(1,614,782)	(1,964,864)	(7,784,688)	(31,982)	(11,396,316)
Fund balances - beginning, as restated	13,287,151	7,925,531	10,982,524	5,160,950	37,355,156
Fund balances - ending	\$ 11,672,369	5,960,667	3,197,836	5,128,968	25,959,840

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Net change in fund balances - total governmental funds (from Statement 4)	\$	(11,396,316)
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Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays (\$13,069,131)

exceeded depreciation expense (\$3,726,094).		9,343,037
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In the statement of activities, only the loss on disposal of capital assets is reported. However, in governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the capital asset sold.

		(12,861)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This represents the change in unavailable revenues.

		(68,940)
--	--	----------

Change in accruals are recorded on the statement of net position, but not on the governmental fund balance sheet - decrease in accrued compensated absences (\$81,176), accrued interest (\$81,633), and net pension liabilities with related deferred outflows and inflows of (\$567,401), and the increase in other postemployment benefits liability (\$60,902).

		669,308
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The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount of principle repayment of long-term debt (\$3,980,000) and amortization of bond premium (\$24,472).

		4,004,472
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Internal service funds are used by management to charge the costs of fleet management to individual funds. The revenues and expenses of internal service funds are reported within governmental activities.

		(881)
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Change in net position of governmental activities (see Statement 2)	\$	2,537,819
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The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2015

	Budgeted amounts		Actual amounts	Variance with final budget positive (negative)	
	Original	Final			
REVENUES					
Taxes:					
Property	\$	30,728,146	30,728,146	30,888,063	159,917
Excise		2,839,000	2,839,000	3,040,917	201,917
Licenses, permits and fees		503,100	503,100	448,332	(54,768)
Intergovernmental		9,049,645	9,049,645	9,063,971	14,326
Charges for services		990,753	990,753	1,031,112	40,359
Fines and forfeitures		49,200	49,200	48,245	(955)
Investment earnings		65,000	65,000	91,981	26,981
Miscellaneous		68,563	68,563	86,008	17,445
Total revenues		44,293,407	44,293,407	44,698,629	405,222
EXPENDITURES					
Current:					
General government		1,164,405	1,164,405	1,083,267	81,138
Financial management		1,051,243	1,051,243	1,049,103	2,140
Public safety		3,814,500	3,814,500	3,744,486	70,014
Public works		1,914,232	1,976,552	1,971,385	5,167
Community development		556,532	556,532	548,828	7,704
Community programs and parks		391,572	391,572	392,772	(1,200)
Education		26,957,956	26,957,956	26,957,154	802
Non-departmental		726,865	997,545	990,959	6,586
County tax		1,376,320	1,376,320	1,376,320	-
Debt service:					
Principal		3,390,000	3,390,000	3,390,000	-
Interest		1,644,522	1,644,522	1,644,519	3
Total expenditures		42,988,147	43,321,147	43,148,793	172,354
Excess of revenues over expenditures		1,305,260	972,260	1,549,836	577,576
Other financing sources (uses):					
Transfers in		-	-	10,870	10,870
Transfers out		(1,528,728)	(3,175,488)	(3,175,488)	-
Budgeted use of surplus		223,468	2,203,228	-	(2,203,228)
Total other financing sources (uses)		(1,305,260)	(972,260)	(3,164,618)	(2,192,358)
Net change in fund balance		-	-	(1,614,782)	(1,614,782)
Fund balance - beginning				13,287,151	
Fund balance - ending	\$			11,672,369	

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities - Enterprise Fund Wastewater	Governmental Activities Internal Service Fund
ASSETS		
Current assets:		
Investments	\$ 3,137,125	-
Accounts receivable	56,322	-
Due from other governments	293,214	-
Inventories	-	103,637
Total current assets	3,486,661	103,637
Noncurrent assets:		
Capital assets, not being depreciated:		
Construction in progress	247,029	-
Capital assets, being depreciated:		
Buildings and improvements	11,464,421	-
Machinery and equipment	4,142,883	-
Infrastructure	11,917,316	-
Less accumulated depreciation	(11,929,317)	-
Total capital assets (net of accumulated depreciation)	15,842,332	-
Total noncurrent assets	15,842,332	-
Total assets	19,328,993	103,637
LIABILITIES		
Current liabilities:		
Accounts payable	64,048	3,148
Accrued payroll	16,467	-
Due to other funds	-	84,412
Accrued interest	44,926	-
Revenue bonds payable - current	324,000	-
Total current liabilities	449,441	87,560
Noncurrent liabilities:		
Compensated absences	129,381	-
Revenue bonds payable - noncurrent	3,564,000	-
Total noncurrent liabilities	3,693,381	-
Total liabilities	4,142,822	87,560
NET POSITION		
Net investment in capital assets	11,954,332	-
Unrestricted	3,231,839	16,077
Total net position	\$ 15,186,171	16,077

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities - Enterprise Fund Wastewater	Governmental Activities Internal Service Fund
Operating revenues:		
User fees	\$ 1,628,225	238,396
Connection charges	64,025	-
Intergovernmental	380,737	-
Miscellaneous	58,193	-
Total operating revenues	2,131,180	238,396
Operating expenses:		
Personnel services	635,616	226,160
Contract services	263,785	3,667
Supplies and materials	99,450	9,450
Repairs and maintenance	237,005	-
Depreciation	704,573	-
Total operating expenses	1,940,429	239,277
Operating income (loss)	190,751	(881)
Nonoperating revenues (expenses):		
Investment earnings	6,100	-
Interest expense	(111,570)	-
Total nonoperating revenues (expenses)	(105,470)	-
Income (loss) before contributions	85,281	(881)
Capital contributions	132,600	-
Total capital contributions	132,600	-
Change in net position	217,881	(881)
Total net position - beginning	14,968,290	16,958
Total net position - ending	\$ 15,186,171	16,077

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities- Enterprise Fund <u>Wastewater</u>	Governmental Activities- Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 2,119,505	238,396
Payments to suppliers	(536,118)	(31,090)
Payments to employees	(611,184)	(226,160)
Net cash provided by (used in) operating activities	972,203	(18,854)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(263,667)	-
Repayment of revenue bonds	(324,000)	-
Interest paid on bonds	(96,147)	-
Net cash used in capital and related financing activities	(683,814)	-
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Increase in interfund loans	-	38,818
Decrease in interfund loans	(38,818)	(19,964)
Net cash provided by (used in) non- capital financing activities	(38,818)	18,854
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	6,100	-
Purchase of investments	(255,671)	-
Net cash used in investing activities	(249,571)	-
Net increase in cash	-	-
Cash, July 1	-	-
Cash, June 30	\$ -	-
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 190,751	(881)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	704,573	-
(Increase) decrease in accounts receivable	281,539	-
(Increase) decrease in due from other governments	(293,214)	-
(Increase) decrease in inventories	23,484	12,731
Increase (decrease) in accounts payable	40,638	(30,704)
Increase (decrease) in accrued payroll	16,467	-
Increase (decrease) in compensated absences payable	7,965	-
Net cash provided by (used in) operating activities	\$ 972,203	(18,854)
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Capital contributions	132,600	-
TOTAL	\$ 132,600	-

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

		Agency Funds
ASSETS		
Cash and cash equivalents	\$	269,038
Investments		431,581
Total assets		700,619
LIABILITIES		
Accounts payable		425
Held for student activities		262,080
Held for performance guarantees		438,114
Total liabilities	\$	700,619

The notes to the financial statements are an integral part of this statement.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Falmouth, Maine was incorporated in 1718 and operates under a Council-Manager form of Government. The Town of Falmouth's Department of Education is a department of the Town with an elected school board and an appointed Superintendent of Schools.

The accounting policies of the Town of Falmouth conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. The following is a summary of the more significant of such policies:

A. Reporting Entity

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based upon the application of these criteria, there were no potential component units required to be included in this report.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The Town has only one proprietary fund and one internal service fund.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to certain compensated absences and claims and judgments, are recorded only when the payment is due. Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time. "On-behalf" payments are recognized as revenue and expenditures upon payment or earlier if the susceptible to accrual criteria are met.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital project fund* accounts for the Town's capital projects. It accounts for all active construction projects and other capital outlay purchases for the Town and the School Department.

The *Route One South Tax Increment Financing (TIF) District*, a special revenue fund, is used to account for the Route One South TIF program, including the captured taxes and expenditures of the development district.

The Town reports the following major proprietary fund:

The *wastewater fund* accounts for the operation of the wastewater treatment system in Falmouth. All users of the system pay quarterly fees, based upon the amount and type of usage, to support the expenditures of the fund.

Additionally, the Town reports the following fund types:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity. The Town's agency funds consist of student activity funds and performance guarantees.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Continued

The *internal service fund* accounts for fleet maintenance services provided to other departments of the Town, on a cost reimbursement basis.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's wastewater fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. The Town also recognizes fees intended to recover the cost of connecting new customers to the system as operating revenues. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Balance

1. Deposits and investments

The Town's cash and cash equivalents are considered to be cash on hand and demand deposits.

Maine statutes authorize the Town to invest in obligations of the U.S. Treasury, agencies and instrumentalities, certificates of deposit, repurchase agreements, corporate securities, financial institutions stock and other stock investments. The Town has an investment policy that allows for investment in obligations of the U.S. government, its agencies and instrumentalities; insured or fully collateralized certificates of deposit of banks and savings and loan associations; repurchase agreements collateralized by Letters of Credit from such institutions such as Federal Home Loan Bank or the Federal Reserve Bank; and money market mutual funds whose portfolios consist entirely of U.S. Government securities.

Funds may also be invested in longer maturities, prime bankers' acceptances and secured commercial paper with an AAA rating according to the Standard & Poor's rating scale upon adoption of a motion of authorization by the majority of the governing body at a regular or special public meeting. Investments are reported at fair value.

2. Interfund receivables and payables

All outstanding balances between funds are reported as "Due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable, available financial resources.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Balance, Continued

3. Inventory

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Town generally defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if material to the basic financial statements, is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the Town are depreciated generally using the straight-line method over the following estimated useful lives: Improvements other than buildings —10 to 20 year; Buildings and improvements—10 to 20 years; Machinery and equipment— 5 to 10 years; and Infrastructure—20 to 50 years.

5. Compensated absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick pay is accrued when incurred in government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, because of employee resignations and retirements.

6. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Balance, Continued

7. Fund balance

Governmental fund fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the governmental funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the Town imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the Town’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

The Town Council has responsibility for committing fund balance, by Council Order duly adopted prior to the end of the fiscal year. Once adopted, the limitation imposed by the Order remains in place until a similar action is taken (the adoption of another Order) to remove or revise the limitation.

Assigned amounts are approved by Council Order, as with committed items, but can be adopted after the end of the fiscal year. The Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s budget.

Should there be multiple sources of funding available for a particular purpose, it is the Town’s policy to expend restricted resources first, and then use unrestricted sources in the order of committed, then assigned, then uncommitted amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

8. Deferred outflows and inflows of resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The deferred outflows relate to the net pension liability, which include the Town’s contributions subsequent to the measurement date, which are recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between Town contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Fund Balance, Continued

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds have two types of items that qualify for reporting in this category, unavailable revenue from property taxes and unavailable revenue from ambulance services. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred inflows that relate to the net pension liability, which include the differences between expected and actual experience, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period. Deferred inflows of resources also include the deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

9. *Use of Estimates*

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

10. *Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

A budget is adopted for the General Fund only, and is adopted on a basis consistent with generally accepted accounting principles (except for on behalf payments to the Maine Public Employees Retirement System). Each spring, all departments of the Town, including the School Department, submit requests for appropriation to the Town Manager so that a budget may be prepared. The budgets include information on the past year, current year estimates and requested appropriations for the next fiscal year. In April, the proposed budget is presented to the Town Council for review. The Town Council holds public hearings before a final budget is adopted in May. All unexpended appropriations lapse at year end unless specific approval is granted to carry forward such amounts. Department level total expenditures should not exceed appropriations.

The appropriated budget is prepared by fund, function and department. The Town Manager may make transfers of appropriations within a function. Transfers of appropriations between functions require the approval of the Town Council. The legal level of control (level at which expenditures may not exceed budget without Town Council approval) is the function level. Generally, all unexpended budgetary accounts lapse at the close of the fiscal year. There was \$1,979,760 in supplemental appropriations authorized in fiscal year 2014-15 as demonstrated by the original and final budgeted amounts shown on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.

During the year ended June 30, 2015, the Town budgeted to utilize \$1,979,760 and the School Department budgeted to utilize \$223,468 of prior year fund balance as a budgeted use of surplus.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2015, expenditures exceeded appropriations in the following areas:

Community programs and parks \$ 1,200

C. Deficit Fund Balances

At June 30, 2015, the following funds had deficit fund balances:

Homeland security	\$ 7,548	MS Summer Academy	56
Compost bins	148	FES Summer Academy	2,864
Title I NCLB disadvantage	50	Lacrosse booster	9,991
Local entitlement	8	Baseball booster	4,611
PTO mini grants	1,069	Softball boosters	4,075
Dickenson family grant	154	Swimming	643
Facilities rental fund	5,529	Indoor track	1,595
High School Summer Academy	673	Boys soccer	2,492
Girls soccer	2,395	Field hockey	628
Alpine skiing	374	Girls basketball	141
Boys lacrosse	2,654	Girls lacrosse	11,290
Softball	2,923	Boys tennis	486
Girls tennis	4	Childcare	4,737
Middle school wood boiler	15,943	Stadium restoration	194,816

These deficits will be funded by future grant revenue, charges for services, or transfers.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2015, the Town reported deposits of \$6,843,790 with a bank balance of \$6,852,598. The entire bank balance of \$6,852,598 was either covered by the F.D.I.C. or fully collateralized.

Deposits have been reported as follows:

Reported in governmental funds	\$ 6,574,752
Reported in fiduciary funds	269,038
Total deposits	<u>\$ 6,843,790</u>

B. Investments

At June 30, 2015, the Town had the following investments and maturities:

	Fair value	Less than 1 year	1-5 years	More than 5 years
Collateralized sweep	\$ 16,622,534	16,622,534	-	-
Certificate of deposit	8,257,430	2,186,586	5,821,459	249,385
Money market funds (1)	558,702		Not applicable	
Mutual funds (1)	39,895		Not applicable	
Total investments	<u>\$ 25,478,561</u>	<u>18,809,120</u>	<u>5,821,459</u>	<u>249,385</u>

(1) Mutual funds and money market funds are not considered securities that exist in physical or book entry form and therefore are exempt from the custodial credit risk disclosure noted above.

Investments have been reported as follows:

Reported in governmental funds	\$ 21,909,855
Reported in proprietary funds	3,137,125
Reported in fiduciary funds	431,581
Total investments	<u>\$ 25,478,561</u>

Interest Rate Risk: The Town does have a formal investment policy that implicitly addresses investment rate risk.

Credit Risk: Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. The Town does have a formal investment policy that implicitly addresses credit rate risk.

Custodial credit risk: investments – For investments, this is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Town has a formal investment policy that implicitly addresses custodial credit risk. Of the Town's \$8,257,430 investment in certificates of deposit, 100% was insured by the F.D.I.C. The Town's \$558,702 investment in money market funds were fully collateralized by underlying securities held by the trust department, which were in the Town's name or had the respective federal insurance for the respective bank or investment firm.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

C. Property Tax

Property taxes for the current year were committed on August 24, 2014, based on the assessed value listed as of April 1, 2014, for all real and personal property located in the Town. The Town's total taxable assessed value of \$2,328,863,100 represented 108.7% of the State-equalized valuation for the Town of \$2,141,950,000.

The laws in the state of Maine permit the Town to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$83,722 for the year ended June 30, 2015. The variance between actual property tax revenues and budgeted property tax revenues represents overlay plus supplemental taxes less abatements.

Under Maine law, tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if the tax liens and associated costs remained unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as deferred inflows of resources.

The following summarizes the 2015 and 2014 levies:

	<u>2015</u>	<u>2014</u>
Assessed value	\$ 2,328,863,100	2,287,140,000
Tax rate (per \$1,000)	14.10	14.12
Commitment	32,836,970	32,294,417
Supplemental taxes assessed	-	-
Total levy	32,836,970	32,294,417
Less:		
Abatements	(1,493)	(52,089)
Collections	(31,871,132)	(31,381,806)
Receivable at end of year	\$ 964,345	860,522
Due date(s)	½ November 6, 2014 ½ May 7, 2015	½ November 7, 2013 ½ May 1, 2014
Interest rate on delinquent taxes	7.0%	7.0%
Collection rate	97.1%	97.3%

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

D. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2015</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 6,728,119	-	-	6,728,119
Construction in progress	7,000,910	8,508,981	372,864	15,137,027
Total capital assets not being depreciated	13,729,029	8,508,981	372,864	21,865,146
Capital assets being depreciated:				
Improvements other than buildings	1,726,388	32,035	-	1,758,423
Buildings and improvements	71,054,998	2,301,615	-	73,356,613
Machinery and equipment	11,425,136	1,067,069	374,062	12,118,143
Infrastructure	26,433,855	1,532,295	-	27,966,150
Total capital assets being depreciated	110,640,377	4,933,014	374,062	115,199,329
Less accumulated depreciation for:				
Improvements other than buildings	965,668	94,474	-	1,060,142
Buildings and improvements	16,845,131	2,060,186	-	18,905,317
Machinery and equipment	7,063,559	999,288	361,201	7,701,646
Infrastructure	9,815,283	572,146	-	10,387,429
Total accumulated depreciation	34,689,641	3,726,094	361,201	38,054,534
Total capital assets being depreciated, net	75,950,736	1,206,920	12,861	77,144,795
Governmental activities capital assets, net	\$ 89,679,765	9,715,901	385,725	99,009,941
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 105,170	141,859	-	247,029
Total capital assets not being depreciated	105,170	141,859	-	247,029
Capital assets being depreciated:				
Building and improvements	11,357,321	107,100	-	11,464,421
Machinery and equipment	4,045,278	147,308	49,703	4,142,883
Infrastructure, sewer	11,917,316	-	-	11,917,316
Total capital assets being depreciated	27,319,915	254,408	49,703	27,524,620
Less accumulated depreciation for:				
Buildings and improvements	4,563,243	229,893	-	4,793,136
Machinery and equipment	1,715,463	236,418	49,703	1,902,178
Infrastructure, sewer	4,995,741	238,262	-	5,234,003
Total accumulated depreciation	11,274,447	704,573	49,703	11,929,317
Total capital assets being depreciated, net	16,045,468	(450,165)	-	15,595,303
Business-type activities capital assets, net	\$ 16,150,638	(308,306)	-	15,842,332

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

D. Capital Assets, Continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 249,739
Public safety	552,867
Public works, including depreciation of general infrastructure assets	833,609
Community programs and parks	167,802
Education	1,922,077
<u>Total depreciation expense – governmental activities</u>	<u>3,726,094</u>

Business-type activities:

<u>Wastewater</u>	<u>704,573</u>
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<u>Total depreciation expense</u>	<u>\$ 4,430,667</u>
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E. Construction Commitment

The Town has active construction commitments as of June 30, 2015 for the Route 1 infrastructure project. At year-end, the Town's commitments for these projects are as follows:

	Contract <u>Total</u>	Percentage <u>Complete</u>	Billed <u>to Date</u>	Remaining Balance <u>Remaining</u>
Route 1 Infrastructure Project:				
Construction contract	\$ 8,411,771	78.09%	6,568,467	1,843,304
Engineering contract	296,848	84.38%	250,487	46,360

Bonds issued in fiscal year 2014 are financing this project.

F. Interfund Receivables and Payables

Interfund loans are the result of having a centralized cash account shared by multiple funds. Individual interfund loans receivable and payable balances at June 30, 2015 were as follows:

<u>Fund</u>	Interfund loans <u>receivable</u>	Interfund loans <u>payable</u>
General fund	\$ 609,696	-
School special revenue	-	241,911
Leola West scholarship	-	3,668
Elmer Holding high school gift	-	279,705
Internal service	-	84,412
<u>Totals</u>	<u>\$ 609,696</u>	<u>609,696</u>

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

G. Long-term Debt

Bonds payable

General Obligation Bonds. The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental activities only. There is no outstanding business-type activities general obligation debt. The original amount of general obligation bonds issued in prior years was \$67,350,000. In addition to the amounts listed below, the Town also has \$2 million in authorized but unissued debt relating to the open space land acquisition bond approved by Falmouth voters in a November 2007 referendum.

All governmental activities long-term debt service requirements are paid by either the General Fund or the Route One South TIF District special revenue fund.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. These bonds are issued as serial bonds, generally with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance</u>
2009 High School Construction Refunding	2009	2019	4.88%-5.50%	\$ 1,000,000
2011 High School Construction Refunding	2011	2021	2.00%-4.00%	5,915,000
Public Safety Building Improvements	2007	2027	4.00%-4.25%	2,300,000
Elementary School Construction	2011	2032	2.00%-4.25%	32,065,000
2013 GOB – Middle School Improvements	2013	2033	2.00%-4.25%	4,750,000
2014 GOB – Route 1 South Development	2014	2030	2.00%-3.50%	8,810,000
<u>Total bonds payable</u>				<u>\$ 54,840,000</u>

The annual debt service requirements to amortize general obligation bonds payable are as follows:

	<u>Governmental activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,975,000	2,305,694	6,280,694
2017	3,975,000	2,211,994	6,186,994
2018	3,975,000	2,104,369	6,079,369
2019	3,975,000	1,990,769	5,965,769
2020	3,970,000	1,875,494	5,845,494
2021-2025	16,250,000	7,774,140	24,024,140
2026-2030	13,950,000	5,258,732	19,208,732
<u>2031-2034</u>	<u>4,770,000</u>	<u>240,850</u>	<u>5,010,850</u>
<u>Totals</u>	<u>\$ 54,840,000</u>	<u>23,762,042</u>	<u>78,602,042</u>

In accordance with 30-A MRSA, Section 5701, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. Additionally, no municipality shall incur debt in the aggregate in excess of 15% of its State assessed valuation. At June 30, 2015, the Town's outstanding debt did not exceed these limits.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

G. Long-term Debt, Continued

Revenue Bonds. The Town also issues bonds where the Town pledges income derived from dedicated sewer user fees to provide funds for the construction of major sewer capital facilities. The original amount of revenue bonds issued in prior years was \$6,480,000. These revenue bonds are reported in the wastewater treatment proprietary fund as they will be repaid from proprietary fund sewer user fee revenues. Revenue bonds outstanding at year-end are as follows:

<u>Purpose</u>	<u>Date of issue</u>	<u>Date of maturity</u>	<u>Interest rate</u>	<u>Balance</u>
Wastewater treatment plant upgrade	2007	2027	1.88%	\$ 3,888,000

Revenue bond debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 324,000	89,751	413,751
2017	324,000	83,355	407,355
2018	324,000	76,960	400,960
2019	324,000	70,564	394,564
2020	324,000	64,168	388,168
2021-2025	1,620,000	224,905	1,844,905
2026-2027	648,000	45,192	693,192
Totals	\$ 3,888,000	654,895	4,542,895

Long-term liability activity for the year ended June 30, 2015 was as follows:

	<u>Beginning balance as restated</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
General obligation bonds payable	\$ 58,820,000	-	(3,980,000)	54,840,000	3,975,000
Premiums on bonds issued	421,316	-	(24,472)	396,844	24,472
Total bonds payable	59,241,316	-	(4,004,472)	55,236,844	3,999,472
Accrued compensated absences	1,027,710	18,333	(99,509)	946,534	-
Other post-employment benefits	616,390	98,294	(37,392)	677,292	-
Net pension liability	2,552,116	-	(1,233,998)	1,318,118	-
Landfill post-closure care costs	80,000	-	-	80,000	-
Governmental activity long-term liabilities	63,517,532	116,627	(5,375,371)	58,258,788	3,999,472
Business-type activities:					
Compensated absences	121,416	10,474	(2,509)	129,381	-
Revenue bonds payable	4,212,000	-	(324,000)	3,888,000	324,000
Business-type activity long-term liabilities	4,333,416	10,474	(326,509)	4,017,381	324,000
Total long-term governmental and business-type activities	\$ 67,850,948	127,101	(5,701,880)	62,276,169	4,323,472

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

G. Long-term Debt, Continued

For the governmental activities, compensated absences are generally liquidated by the General Fund.

Landfill post-closure costs - Under state law, Maine communities had until December 31, 1994 to close existing landfills under a Maine Department of Environmental Protection (DEP) approved plan. In 1990, the Town closed its Woods Road Landfill in accordance with a plan approved by the Maine DEP. All closure costs were paid in full at the time of the closure. The Town is also required to perform certain monitoring tests at the site for thirty years after closure. The Town reports these post-closure costs as operating expenditures in each period as the monitoring tests are performed. The \$80,000 reported as landfill postclosure care liability at June 30, 2015 represents the estimated remaining cost of the monitoring tests at the site for thirty years after closure. This amount may change due to changes in technology, inflation or deflation, or applicable laws and regulations. Because these remaining costs will be paid from future resources, the liability has been reported as a long-term liability in the government-wide financial statements.

Jointly Governed Organization

The Town of Falmouth participates in a jointly governed organization, which is not part of the Town's reporting entity.

ecomaine is a solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 member communities, ecomaine creates electricity through its processing of waste and operates an extensive recycling program. The Town is a member community in ecomaine. Interlocal (waste handling) agreements between ecomaine and participating communities obligate the members to deliver certain solid waste produced within the community to ecomaine for processing and to make service payments and pay tipping fees for such processing. The Town has no explicit, measurable equity interest and therefore has not reported an asset in these financial statements in connection with its participation in ecomaine. Selected balance sheet information for ecomaine for the year ended June 30, 2015 includes total assets of \$63,710,335, total liabilities of \$19,069,573 and unrestricted net position of \$13,562,006. The liabilities include an accrual for landfill closure and postclosure care amounting to \$16,451,511. Ecomaine has a plan to fund this liability in the form of a cash reserve over the period of years between 2011 and a projected closing date. The separate audited financial statements of ecomaine may be obtained at their administrative office: ecomaine, 64 Blueberry Rd., Portland, Maine 04102.

Total Debt, Overlapping Debt, and Contingencies

	As of June 30, 2015		
<u>Governmental unit</u>	<u>Direct debt</u>	<u>Overlapping debt</u>	<u>Total debt</u>
Town of Falmouth	\$ 54,840,000	-	54,840,000
Cumberland County	-	2,019,317	2,019,317
Portland Water District - water debt	-	3,769,491	3,769,491
Totals	\$ 54,840,000	5,788,808	60,628,808

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

G. Long-term Debt, Continued

Reimbursement for Debt Service Expenditures

The State of Maine currently reimburses the Town for a portion of the financing costs of school building and school bus purchases. Continuation of such reimbursements is dependent upon continued appropriation by the State Legislature.

H. Fund Balances

The Town has a written fund balance policy which authorizes funds in excess of the Town's required minimum unassigned fund balance of two months (or 16.7%) of operating expenditures to be appropriated for "one-time" capital or non-operating uses. The Town also reserves \$1,000,000 in addition to that amount for future capital expenditures. The Town has no formal revenue spending policy for programs with multiple revenue sources. The Town generally uses resources in the following hierarchy unless otherwise directed by Statute or Council: bond proceeds, federal and state funds, local non-town funds, town funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

As of June 30, 2015, fund balance components consisted of the following:

	General <u>Fund</u>	Capital Project <u>Fund</u>	Route One South <u>TIF</u>	Nonmajor Governmental <u>Funds</u>
Nonspendable:				
Inventory	\$ 7,896	-	-	23,762
Prepaid items	16,655	-	-	-
Notes receivable	283,500	-	-	-
Total nonspendable	308,051	-	-	23,762
Restricted:				
TIF districts	-	-	3,197,836	3,687,021
Capital projects	-	1,441,309	-	-
Scholarships	-	-	-	146,257
Public safety	-	-	-	84,380
Education	785,481	-	-	237,685
Perpetual care	-	-	-	9,632
Total restricted	785,481	1,441,309	3,197,836	4,164,975
Committed:				
Capital projects	-	4,730,117	-	-
General government	-	-	-	344,578
Public safety	-	-	-	28,436
Public works	-	-	-	345,413
Community programs and parks	-	-	-	142,767
Non departmental	-	-	-	37,015
Education	-	-	-	109,160
Total committed	-	4,730,117	-	1,007,369
Unassigned	10,578,837	(210,759)	-	(67,138)
Total fund balance	\$ 11,672,369	5,960,667	3,197,836	5,128,968

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

III. DETAILED NOTES ON ALL FUNDS, CONTINUED

I. Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Town's net investment in capital assets was calculated as follows at June 30, 2015:

	Governmental activities	Business-type activities
Capital assets	\$137,064,475	27,771,649
Accumulated depreciation	(38,054,534)	(11,929,317)
Bonds payable	(54,840,000)	(3,888,000)
Add back unspent bond proceeds	1,441,309	-
Total net investment in capital assets	\$ 45,611,250	11,954,332

IV. OTHER INFORMATION

A. Risk Management

The Town is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, and natural disasters for which the Town either carries commercial insurance, participates in a public entity risk pool, or is effectively self-insured. Currently, the Town participates in several public entity and self-insured risk pools sponsored by the Maine Municipal Association. Based on the coverage provided by these pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities that should be recorded at June 30, 2015. There have been no significant reductions in the commercial coverage from the prior year and no settlements have exceeded insurance coverage in any of the past three years.

The School Department maintains an account for unemployment compensation, which amounted to \$39,895 at June 30, 2015 to cover any potential claim liability that might occur. As of the date of this report, there are no unpaid claims outstanding, nor is the Town aware of any potential claims that have been incurred yet remains unreported at June 30, 2015.

B. Contingencies

The School Department has a possible contingent liability related to the construction of the elementary school. This project was funded with State funds and a certain percentage of unspent funds need to be returned to the State after the project costs are audited. The total amount of the unspent proceeds as of June 30, 2015 is \$1,441,309. As of June 30, 2015, the State has yet to complete the project's audit and cannot provide a reasonable estimate of the amount to be returned to the State. As a reasonable estimate of the liability is not available at June 30, 2015, no liability has been recorded.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION, CONTINUED

C. 401(a) Retirement Plan

The Town contributes to the ICMA-RC 401(a) Governmental Defined Contribution Plan & Trust (ICMA-RC), a defined contribution pension plan, for its full-time employees that are not part of the Maine Public Employees Retirement System. ICMA-RC also administers the plan.

Benefit terms, including contribution requirements, for ICMA are established and may be amended by the Town Council. For each employee in the pension plan, the Town is required to match contributions up to 7% of an employee's compensation for the year. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended June 30, 2015, employee contributions totaled \$61,210 and the Town recognized pension expense of \$61,037.

Employees are immediately vested in their own as well as Town contributions and earnings on those contributions. There is no forfeiture provision for this pension plan.

D. 457 Retirement Plan

The Town contributes to the ICMA-RC 457 Governmental Deferred Compensation Plan & Trust (ICMA-RC), a defined contribution pension plan, for its full-time employees that are not part of the Maine Public Employees Retirement System. ICMA-RC also administers the plan.

Benefit terms, including contribution requirements, for ICMA are established and may be amended by the Town Council. For each employee in the pension plan, the Town is required to match contributions up to 7% of an employee's compensation for the year. Employees are permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. For the year ended June 30, 2015, employee contributions totaled \$6,809, and the Town recognized pension expense of \$11,008.

Employees are immediately vested in their own as well as Town contributions and earnings on those contributions. There is no forfeiture provision for this pension plan.

E. Tax Increment Financing Districts

The Town has designated three Tax Increment Financing (TIF) Districts: the Route One North TIF District, the Route One South TIF District, and the West Falmouth Crossing TIF District. The Town has adopted a development program for each of these TIF districts under applicable State of Maine statutes. The TIFs are reported as special revenue funds for financial reporting purposes. The TIFs allow the Town to "capture" the increase in assessed value resulting from development within the districts and dedicate the increased property taxes it receives in future years generated by the "captured" assessed value to the payment of the costs of the development program.

	<u>West Falmouth</u>	<u>Rte. One North TIF</u>	<u>Rte. One South TIF</u>
Original assessed value	\$ 553,000	14,177,600	27,424,700
Captured value for year ended 6/30/15	52,680,100	25,718,900	65,225,000
Captured taxes	742,789	362,636	919,673
Remitted to TIF Fund	742,789	362,636	919,673

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION, CONTINUED

F. Prior Period Adjustment / New Pronouncement

Due to reporting errors in previously issued financial statements and the adoption of GASB 68 the Town has restated amounts as follows:

	Governmental Activities
Net position, as previously reported	\$ 65,567,348
Corrected prior year town to school reconciliation	5,782
Previously unreported school special revenue funds	(34,421)
Prior year net pension liability and associated deferred outflows	(1,878,213)
Corrected prior year accrued compensated absences	1,062,725
Net position, as restated	\$ 64,723,221

	School Special Revenue Fund
Fund balance, as previously reported	\$ 165,298
Corrected prior year town to school reconciliation	6,448
Previously unreported school special revenue funds	(34,421)
Fund balance, as restated	\$ 137,325

	Permanent Funds
Fund balance, as previously reported	\$ 272,237
Corrected prior year town to school reconciliation	(666)
Fund balance, as restated	\$ 271,571

For the fiscal year ended June 30, 2015, the Town has elected to implement Statement No. 68 of the Governmental Accounting Standards Board – *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. As a result of implementing GASB Statement No. 68, the Town has restated beginning net position in the government-wide statement of net position to account for the addition of the Town's proportionate share of the net pension liability of \$2,552,116 and deferred outflows for the Town's contributions subsequent to the measurement date of \$673,903, which effectively decreased the Town's net position as of July 1, 2014 by \$1,878,213.

G. Postemployment Benefits

The Town is a member of the Maine Municipal Employees Health Trust. The Trust is an agent-multiple employer Voluntary Employee's Beneficiary Association. Benefit provisions are established and may be amended by the Maine Municipal Employees Health Trust Board of Trustees. The Town is an individually rated member within the Association. The Trust issues a publicly available financial report. That report may be obtained by writing to the Maine Municipal Association at 60 Community Drive, Augusta, ME 04332. The Health Trust contracted with an outside consultant to assist in the determination and valuation of the Town's OPEB liability under GASB Statement 45. The latest OPEB liability actuarial valuation was completed by the consultants in August 2014 based on an actuarial valuation date of January 1, 2014.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION, CONTINUED

G. Postemployment Benefits, Continued

Plan Descriptions - In addition to providing pension benefits, the Town provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage and therefore, the Town makes no actual contributions.

Funding Policy and Annual OPEB Cost - GASB Statement No. 45 does not mandate the prefunding of postemployment benefits liability. The Town currently funds these benefits on a pay-as-you-go basis and expects to continue this method. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarially determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information immediately following the notes to the financial statements presents multi-year trend information about the plan, showing the actuarial value of plan assets and its change relative to the actuarial accrued liability for benefits over time.

Annual OPEB cost and Net OPEB obligation - The Town's net OPEB obligation was calculated as follows:

Net OPEB obligation, June 30, 2014		\$ 616,390
Annual OPEB cost:		
Normal cost as of beginning of year	55,368	
Amortization of the UAAL for 30 years	51,794	
Interest on Net OPEB obligation (NOO) to end of year	26,778	
NOO amortization adjustment to the ARC	<u>(35,646)</u>	
Total annual OPEB cost	98,294	
Actual contribution	<u>(37,392)</u>	
Increase in Net OPEB obligation	60,902	
Net OPEB obligation, June 30, 2015		\$ 677,292

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ending June 30, 2015, 2014 and 2013 was as follows:

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual OPEB cost	\$ 98,294	99,468	104,555
Percent of annual OPEB cost contributed	38%	34%	0%
Net OPEB obligation at end of year	677,292	616,390	550,518

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION, CONTINUED

G. Postemployment Benefits, Continued

Funding Status and Funding Progress - As the Town has chosen to fund OPEB liabilities on a pay-as-you-go basis, the plan has no net position. As of June 30, 2015, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial accrued liability (AAL)	\$ 931,444
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	931,444
Funded ratio	0.00%
Covered payroll (annual payroll of active employees covered by the plan)	4,338,165
UAAL as a percentage of covered payroll	21.5%

Actuarial Methods and Assumptions - Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Town and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Measurement date - 1/1/2014

Actuarial cost method - Projected Unit Credit

Amortization method - Level dollar over 30 years based on an open group

Actuarial assumptions:

Discount rate	4%
Payroll growth	3%
Inflation rate (implicit)	3.0 – 4.6%

Healthcare trend rates	<u>FYE</u>	<u>Pre-65</u>	<u>Post-65</u>
	2016	7.69%	8.33%
	2017	7.45%	8.04%
	2018	7.22%	7.75%
	2019	6.98%	7.47%
	2020	6.74%	7.18%
	2021	6.50%	6.89%
	2022	6.27%	6.61%

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION, CONTINUED

H. Maine Public Employees Retirement System

General Information about the Pension Plan

Plan Description - Employees of the Town are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan) and teaching-certified employees of the Town are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan), cost-sharing multiple-employer defined benefit pension plans, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at www.mainebers.org.

Benefits Provided - The PLD and SET Plans provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). For SETP members, normal retirement age is 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD Plan) or by statute (SET Plan).

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

PLD Plan - Employees are required to contribute 7.0% of their annual pay. The Town's contractually required contribution rates for the year ended June 30, 2015 were 7.8% to 8.3% of annual payroll. Contributions to the pension plan from the Town were \$328,128 for the year ended June 30, 2015.

SET Plan - Maine statute requires the State to contribute a portion of the Town's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2015, was 15.68% of annual payroll of which 2.65% of payroll was required from the Town and 13.03% was required from the State. Contributions to the pension plan from the Town were \$431,548 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The Town's proportion of the net pension liabilities were based on projections of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan) and of all participating School Administrative Units and the State (SET Plan), actuarially determined.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION, CONTINUED

H. Maine Public Employees Retirement System, Continued

PLD Plan - At June 30, 2015, the Town reported a liability of \$1,274,581 for its proportionate share of the net pension liability. At June 30, 2014, the Town's proportion of the PLD Plan was 0.8283%.

SET Plan - At June 30, 2015, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ 43,537
State's proportionate share of the net pension liability associated with the Town	14,865,081
Total	\$ 14,908,618

At June 30, 2014, the Town's proportion of the SET Plan was 0.0040%.

For the year ended June 30, 2015, the Town recognized pension expense (gain) of (\$2,688) for the PLD Plan and \$2,316,876 for the SET Plan with revenue of \$2,121,914 for support provided by the State. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 120,037	145
Changes of assumptions	1,998	-
Net difference between projected and actual earnings on pension plan investments	-	1,097,854
Changes in proportion and differences between Town contributions and proportionate share of contributions	223,594	-
Town contributions subsequent to the measurement date	759,676	-
Total	\$ 1,105,305	1,097,999

\$759,676 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	\$ (132,183)
2017	(132,183)
2018	(213,540)
2019	(274,464)

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION, CONTINUED

H. Maine Public Employees Retirement System, Continued

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PLD Plan</u>	<u>SET Plan</u>
Inflation	3.5%	3.5%
Salary increases, per year	3.5% to 9.5%	3.5% to 13.5%
Investment return, per annum, compounded annually	7.25%	7.125%
Cost of living benefit increases, per annum	3.12%	2.55%

Mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	2.5%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.0%
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.25% for the PLD Plan and 7.125% for the SET Plan. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

TOWN OF FALMOUTH, MAINE
Notes to Basic Financial Statements, Continued

IV. OTHER INFORMATION, CONTINUED

H. Maine Public Employees Retirement System, Continued

Sensitivity of the Town's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate- The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% for the PLD Plan and 7.125% for the SET Plan, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25% for PLD Plan and 6.125% for SET Plan) or 1 percentage-point higher (8.25% for PLD Plan and 8.125% for SET Plan) than the current rate:

<u>PLD Plan</u>	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Town's proportionate share of the net pension liability	\$ 3,976,316	\$ 1,274,581	(\$ 983,734)
 <u>SET Plan</u>	 1% Decrease <u>(6.125%)</u>	 Current Discount Rate <u>(7.125%)</u>	 1% Increase <u>(8.125%)</u>
Town's proportionate share of the net pension liability	\$ 83,392	\$ 43,537	\$ 10,188

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of June 30, 2015.

TOWN OF FALMOUTH, MAINE
Required Supplementary Information

Schedule of Funding Progress - Retiree Healthcare Plan

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) – Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b-a) /c]</u>
2009	01/01/09	\$ -	\$ 980,829	\$ 980,829	0.00%	\$ 3,633,359	27.0%
2010	01/01/09	-	980,829	980,829	0.00%	3,628,561	27.0%
2011	01/01/11	-	1,121,210	1,121,210	0.00%	3,695,167	30.3%
2012	01/01/11	-	1,121,210	1,121,210	0.00%	3,800,658	29.5%
2013	01/01/11	-	1,121,210	1,121,210	0.00%	3,916,399	28.6%
2014	01/01/14	-	931,444	931,444	0.00%	4,033,891	23.1%
2015	01/01/14	-	931,444	931,444	0.00%	4,338,165	21.5%

TOWN OF FALMOUTH, MAINE
Required Supplementary Information, Continued

Schedule of Town's Proportionate Share of the Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)

Last 10 Fiscal Years*

	<u>2015**</u>
<u>PLD Plan</u>	
Town's proportion of the net pension liability	0.8283%
Town's proportionate share of the net pension liability	\$ 1,274,581
Town's covered-employee payroll	4,150,350
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	30.71%
Plan fiduciary net position as a percentage of the total pension liability	94.10%
<u>SET Plan</u>	
Town's proportion of the net pension liability	0.0040%
Town's proportionate share of the net pension liability	\$ 43,537
State's proportionate share of the net pension liability associated with the Town	14,865,081
<u>Total</u>	<u>\$ 14,908,618</u>
Town's covered-employee payroll	\$ 16,284,832
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	0.27%
Plan fiduciary net position as a percentage of the total pension liability	83.91%

* Only one year of information available.

** The amounts presented for each fiscal year were determined as of the prior fiscal year.

TOWN OF FALMOUTH, MAINE
Required Supplementary Information, Continued

Schedule of Town Contributions
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)
Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
<u>PLD Plan</u>		
Contractually required contribution	\$ 328,128	264,303
Contributions in relation to the contractually required contribution	(328,128)	(264,303)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>-</u>
 Town's covered-employee payroll	 4,150,350	 3,881,506
Contributions as a percentage of covered- employee payroll	7.91%	6.81%
 <u>SET Plan</u>		
Contractually required contribution	\$ 431,548	409,601
Contributions in relation to the contractually required contribution	(431,548)	(409,601)
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>-</u>
 Town's covered-employee payroll	 16,284,832	 15,456,627
Contributions as a percentage of covered- employee payroll	2.65%	2.65%

* Only two years of information available.

TOWN OF FALMOUTH, MAINE
Notes to Required Supplementary Information

Changes of Benefit Terms - None

Changes of Assumptions - The SET Plan changed the discount rate from 7.25% in the 2013 valuation to 7.125% in the 2014 valuation.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are restricted or committed to expenditure for particular purposes.

Town Special Revenue – This fund is used to account for unbudgeted self-sustaining municipal programs.

School Special Revenue – This fund is used to account for various Federal and State categorical grants for special programs administered by the School Department. This fund also accounts for various other non-grant funded self-sustaining school department programs.

School Lunch Program – This fund is used to account for the School lunch program administered by the School Department.

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Perpetual Care Fund – This fund is used for the care of designated cemetery lots.

Leola West Scholarship Fund – This fund is used to provide an annual scholarship to a Falmouth High School student.

Elmer Holding High School Gift Fund – This fund is a gift to the high school as part of an estate trust distribution. This gift can be used for any purpose desired.

TOWN OF FALMOUTH, MAINE
Combining Balance Sheet
Other Governmental Funds
June 30, 2015

	Special Revenue Funds				Permanent Funds				Total Other Governmental Funds
	Town Special Revenue	School Special Revenue	School Lunch Program	Total	Perpetual Care	Leola West Scholarship Fund	Elmer Holding High School Gift Fund	Total	
ASSETS									
Cash and cash equivalents	\$ -	13,926	-	13,926	9,632	36,548	-	46,180	60,106
Investments	4,717,193	59,839	104,227	4,881,259	-	-	393,082	393,082	5,274,341
Accounts receivable	-	21,237	-	21,237	-	-	-	-	21,237
Due from other governments	-	326,398	5,769	332,167	-	-	-	-	332,167
Inventory	-	-	23,762	23,762	-	-	-	-	23,762
Total assets	\$ 4,717,193	421,400	133,758	5,272,351	9,632	36,548	393,082	439,262	5,711,613
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	55,279	2,082	-	57,361	-	-	-	-	57,361
Due to other funds	-	241,911	-	241,911	-	3,668	279,705	283,373	525,284
Total liabilities	55,279	243,993	-	299,272	-	3,668	279,705	283,373	582,645
Fund balances (deficit):									
Nonspendable	-	-	23,762	23,762	-	-	-	-	23,762
Restricted	3,771,401	127,689	109,996	4,009,086	9,632	32,880	113,377	155,889	4,164,975
Committed	898,209	109,160	-	1,007,369	-	-	-	-	1,007,369
Unassigned	(7,696)	(59,442)	-	(67,138)	-	-	-	-	(67,138)
Total fund balances (deficit)	4,661,914	177,407	133,758	4,973,079	9,632	32,880	113,377	155,889	5,128,968
Total liabilities and fund balances	\$ 4,717,193	421,400	133,758	5,272,351	9,632	36,548	393,082	439,262	5,711,613

TOWN OF FALMOUTH, MAINE
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Other Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds				Permanent Funds				Total Other Governmental Funds
	Town Special Revenue (Schedule 1)	School Special Revenue (Schedule 2)	School Lunch Program	Total	Perpetual Care	Leola West Scholarship Fund	Elmer Holding High School Gift Fund	Total	
REVENUES									
Taxes	\$ 1,105,425	-	-	1,105,425	-	-	-	-	1,105,425
Intergovernmental	9,760	610,661	97,932	718,353	-	-	-	-	718,353
Charges for service	1,005,812	253,712	666,017	1,925,541	-	-	-	-	1,925,541
Investment earnings	-	-	-	-	7	-	2,289	2,296	2,296
Miscellaneous	185,972	169,028	-	355,000	-	29	-	29	355,029
Total revenues	2,306,969	1,033,401	763,949	4,104,319	7	29	2,289	2,325	4,106,644
EXPENDITURES									
Current:									
General government	333,163	-	-	333,163	-	-	-	-	333,163
Public safety	136,363	-	-	136,363	-	-	-	-	136,363
Public works	296,557	-	-	296,557	-	-	-	-	296,557
Community development	708,055	-	-	708,055	-	-	-	-	708,055
Community programs and parks	715,023	-	-	715,023	-	-	-	-	715,023
Education	-	993,319	-	993,319	-	1,000	117,007	118,007	1,111,326
Food service	-	-	735,275	735,275	-	-	-	-	735,275
Non-departmental	1,190	-	-	1,190	-	-	-	-	1,190
Total expenditures	2,190,351	993,319	735,275	3,918,945	-	1,000	117,007	118,007	4,036,952
Excess (deficiency) of revenues over (under) expenditures	116,618	40,082	28,674	185,374	7	(971)	(114,718)	(115,682)	69,692
OTHER FINANCING SOURCES									
Transfers in (out)	(101,674)	-	-	(101,674)	-	-	-	-	(101,674)
Total other financing sources and (uses)	(101,674)	-	-	(101,674)	-	-	-	-	(101,674)
Net change in fund balances	14,944	40,082	28,674	83,700	7	(971)	(114,718)	(115,682)	(31,982)
Fund balances - beginning, as restated	4,646,970	137,325	105,084	4,889,379	9,625	33,851	228,095	271,571	5,160,950
Fund balances - ending	\$ 4,661,914	177,407	133,758	4,973,079	9,632	32,880	113,377	155,889	5,128,968

SCHEDULES

TOWN OF FALMOUTH, MAINE
Town Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2015

	Balances beginning of year	Revenues		Expenditures	Transfers in (out)	Balances (deficits) end of year
		Inter- governmental	Other			
General Government:						
Other programs - committed						
020 Clapboard	\$ 501,674	-	-	200,000	(301,674)	-
210 Employee bottle money	-	-	4,027	498	-	3,529
211 Wellness	15,651	-	3,624	4,692	-	14,583
212 Veterans memorial	33,489	-	213	22,424	-	11,278
213 General assistance	49,136	-	1,215	5,900	-	44,451
222 Subdivision inspections	204,228	-	36	10,500	-	193,764
223 Comp plan maps	43,534	-	-	6,700	-	36,834
224 Property revaluations	-	-	-	-	20,000	20,000
225 Land use ordinances	-	-	-	81,352	100,000	18,648
226 Invasive	2,588	-	-	1,097	-	1,491
Total general government	850,300	-	9,115	333,163	(181,674)	344,578
Public safety:						
Federal/state programs - restricted						
214 Police detail	57,325	9,760	139,421	122,126	-	84,380
216 Homeland security	-	-	-	7,548	-	(7,548)
Other programs - committed						
215 Police communication	7,678	-	3,000	2,245	-	8,433
217 EMS scholarships	-	-	2,684	-	-	2,684
218 Fire EMS detail	10,088	-	11,675	4,444	-	17,319
Total public safety	75,091	9,760	156,780	136,363	-	105,268
Public works:						
Other programs - committed						
219 Street permits	28,042	-	4,798	6,084	-	26,756
220 Disposal bags	151,566	-	455,392	288,301	-	318,657
221 Compost bins	339	-	1,685	2,172	-	(148)
Total public works	179,947	-	461,875	296,557	-	345,265
Community development:						
Other programs - restricted						
022 Route 1 North	2,136,542	-	362,636	129,808	-	2,369,370
024 West Falmouth TIF	1,153,109	-	742,789	578,247	-	1,317,651
Total community development	3,289,651	-	1,105,425	708,055	-	3,687,021
Community programs and parks:						
Other programs - committed						
228 Conservation corp.	2,210	-	1,770	385	-	3,595
229 Recreation	136,640	-	493,435	524,554	-	105,521
230 Adult Ed	93,233	-	50,502	190,084	80,000	33,651
Total community programs and parks	232,083	-	545,707	715,023	80,000	142,767
Non-departmental:						
Other programs - committed						
227 Parts maintenance	19,898	-	18,307	1,190	-	37,015
Total non-departmental	19,898	-	18,307	1,190	-	37,015
Total Town special revenue funds	\$ 4,646,970	9,760	2,297,209	2,190,351	(101,674)	4,661,914

TOWN OF FALMOUTH, MAINE
School Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2015

		Restated balances (deficits) beginning of year	Revenues Inter- governmental	Other	Expenditures	Balances (deficits) end of year
Federal and State Grants - Restricted:						
223	Transition grant proficiency	\$ 19,995	25,101	-	35,564	9,532
224	Flu clinic reimbursement fund	4,369	-	-	-	4,369
230	Title I NCLB disadvantaged	(50)	35,443	-	35,443	(50)
246	Maine care	(4,832)	11,812	-	3,203	3,777
247	Local entitlement	(8,242)	493,702	-	485,468	(8)
251	Preschool handicapped	-	3,863	-	3,863	-
270	Title IIA Improving teacher quality	-	40,740	-	36,105	4,635
Total federal and state grants - restricted		11,240	610,661	-	599,646	22,255
Other Programs - Restricted:						
720	PTO mini grants	(1,069)	-	-	-	(1,069)
721	Dickenson Family Grant	343	-	-	497	(154)
723	Andrea Soule Trust	-	-	20,000	1,755	18,245
780	Wood Trust	3,554	-	-	3,554	-
781	Karen Boffa Camp Scholarship	-	-	800	192	608
783	Class of 1995 Scholarship	500	-	-	-	500
784	Clayton Thomas Scholarship	4,646	-	5,015	4,500	5,161
786	Solebello Scholarship	460	-	40	500	-
790	Jim Caldwell Scholarship	200	-	500	500	200
791	Blaze Scholarship	-	-	2,000	1,000	1,000
904	FEF grants	1,968	-	38,565	38,565	1,968
910	Lacrosse booster	(6,613)	-	-	3,378	(9,991)
912	Football boosters	-	-	689	689	-
914	JV Hockey boosters	-	-	2,063	2,063	-
916	Nordic ski boosters	-	-	1,639	1,639	-
917	Volleyball boosters	-	-	1,640	1,640	-
918	Baseball booster	(4,855)	-	5,077	4,833	(4,611)
919	Softball boosters	(4,075)	-	-	-	(4,075)
920	Girls hockey	-	-	3,767	3,767	-
921	Swimming	(225)	-	3,370	3,788	(643)
950	Indoor track	-	-	65	1,660	(1,595)
952	Cross country	-	-	1,203	1,203	-
953	Boys soccer	(596)	-	-	1,896	(2,492)
954	Girls soccer	(387)	-	3,981	5,989	(2,395)
955	Field hockey	-	-	3,216	3,844	(628)
956	Alpine skiing	(393)	-	582	563	(374)
957	Boys basketball	-	-	1,941	1,841	100
958	Girls basketball	(944)	-	1,415	612	(141)
959	Ice hockey	1,370	-	15,120	12,661	3,829
960	Boys lacrosse	(6,425)	-	5,145	1,374	(2,654)
961	Girls lacrosse	(5,288)	-	792	6,794	(11,290)
962	Softball	(2,113)	-	-	810	(2,923)
963	Boys tennis	(35)	-	-	451	(486)
964	Girls tennis	(964)	-	960	-	(4)
NA	Scholarships	75,970	-	11,713	13,918	73,765
Total other programs - restricted		55,029	-	131,298	126,476	59,851

TOWN OF FALMOUTH, MAINE
School Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2015

	Restated balances (deficits) beginning of year	Revenues		Expenditures	Balances (deficits) end of year
		Inter- governmental	Other		
Other Programs - Committed:					
715 Lunt play and learn	\$ 10,962	-	-	-	10,962
718 Childcare	(1,183)	-	176,792	180,346	(4,737)
730 Athletics Capital Fund	21,236	-	11,334	25	32,545
735 Turf field	14,345	-	3,544	-	17,889
740 Facilities Rental Fund	(13,081)	-	7,552	-	(5,529)
750 Middle school playground	11,895	-	-	-	11,895
760 Laptop insurance	36,871	-	15,300	44,354	7,817
785 Discovery Pathway	1,090	-	-	306	784
787 Score for Safe Passage	123	-	-	-	123
901 High School Summer Academy	(673)	-	-	-	(673)
905 Chinese exchange program	(10,550)	-	73,460	35,765	27,145
906 MS Summer Academy	1,733	-	240	2,029	(56)
907 FES Summer Academy	(1,712)	-	3,220	4,372	(2,864)
Total other programs - committed	71,056	-	291,442	267,197	95,301
Total school special revenue funds	\$ 137,325	610,661	422,740	993,319	177,407

TOWN OF FALMOUTH, MAINE
Capital Project Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2015

		Balances (deficits) beginning of year	Revenues		Expenditures	Transfers in (out)	Balances (deficits) end of year
			Inter- governmental	Other			
Town funds:							
310	Energy Efficiency	\$ -	-	-	13,818	45,744	31,926
311	Food Pantry	10,799	38,954	-	48,564	-	1,189
312	Town hall office	84,701	-	-	6,986	5,500	83,215
313	General government renovation	70,636	-	-	48,001	-	22,635
314	Town hall renovation	249,498	-	-	778,450	601,360	72,408
315	General government vehicles	53,992	-	-	7,200	-	46,792
316	Rail road crossing	52,000	-	-	-	-	52,000
317	Rail road traffic signal	227,488	-	-	109,902	-	117,586
318	Computers	174,435	-	-	171,034	78,000	81,401
030	Land ordinance	100,000	-	-	-	(100,000)	-
319	Cable TV	-	-	1,080	4,587	223,557	220,050
320	MUNIS Equipment	14,891	-	-	-	-	14,891
322	Police small equipment	31,073	6,449	3,170	36,589	2,540	6,643
323	Police vehicles	67,968	-	43,926	115,215	64,388	61,067
324	PD communications	38,996	-	-	-	5,000	43,996
325	Harbor equipment	46,240	-	-	2,056	27,000	71,184
326	Fire department building	172,827	-	-	10,289	5,000	167,538
327	Fire department equipment	25,336	-	-	22,865	192,400	194,871
328	Public works building and equipment	18,945	-	-	5,408	6,000	19,537
329	Public works heavy equipment	58,843	-	-	165,560	198,000	91,283
330	Public works streets	2,132,067	-	141,920	863,786	703,500	2,113,701
331	Hurricane road	530,386	-	-	184,559	-	345,827
332	Transfer station equipment	40,930	-	-	-	-	40,930
333	Parks land acquisition	419,414	-	-	400,000	-	19,414
334	Parks renovation	253,936	-	-	32,035	81,000	302,901
335	Parks equipment	37,675	-	-	17,474	11,400	31,601
336	River point bridge	384,111	-	5,000	377,830	-	11,281
337	Community center	86,108	-	-	-	-	86,108
338	Mason/Motz renovation	33,672	-	18	1,017,632	984,400	458
339	Community program vehicles	41,069	-	-	-	-	41,069
341	Open spaces	-	-	601	30,591	131,503	101,513
	Total town capital projects	\$ 5,458,036	45,403	195,715	4,470,431	3,266,292	4,495,015

TOWN OF FALMOUTH, MAINE
Capital Project Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2015

		Balances (deficits) beginning of year	Revenues		Expenditures	Transfers in (out)	Balances (deficits) end of year
			Inter- governmental	Other			
School funds:							
0301	Elementary school construction	\$ 1,453,717	-	-	12,408	-	1,441,309
0302	Middle school wood boiler	(15,943)	-	-	-	-	(15,943)
0400	Stadium restroom	-	-	-	194,816	-	(194,816)
0400	Other school capital	176,209	-	-	17,338	-	158,871
0402	Middle school capital	853,512	-	-	777,281	-	76,231
Total school capital projects		2,467,495	-	-	1,001,843	-	1,465,652
Total capital projects fund		\$ 7,925,531	45,403	195,715	5,472,274	3,266,292	5,960,667

TOWN OF FALMOUTH, MAINE
Combining Schedule of Fiduciary Net Position
Agency Funds
June 30, 2015

	Student Activity Funds	Performance Guarantees	Total
ASSETS			
Cash and cash equivalents	\$ 262,080	6,958	269,038
Investments	-	431,581	431,581
Total assets	\$ 262,080	438,539	700,619
LIABILITIES			
Accounts payable	-	425	425
Held for student activities	262,080	-	262,080
Held for performance guarantees	-	438,114	438,114
Total liabilities	\$ 262,080	438,539	700,619

TOWN OF FALMOUTH, MAINE
Schedule of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
ASSETS				
Student activity funds	\$ 253,732	578,022	569,674	262,080
Performance guarantees	401,440	261,503	224,404	438,539
Total assets	\$ 655,172	839,525	794,078	700,619
LIABILITIES				
Accounts payable	-	425	-	425
Funds held for student activities	253,732	578,022	569,674	262,080
Funds held for performance guarantees	401,440	261,078	224,404	438,114
Total liabilities	\$ 655,172	839,525	794,078	700,619

TOWN OF FALMOUTH, MAINE
Detailed Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
SCHOOL ACTIVITIES				
ASSETS				
Cash and cash equivalents	253,732	578,022	569,674	262,080
Total assets	\$ 253,732	578,022	569,674	262,080
LIABILITIES				
Funds held for student activities	253,732	578,022	569,674	262,080
Total liabilities	\$ 253,732	578,022	569,674	262,080

CONSTRUCTION PROJECTS

ASSETS				
Cash and cash equivalents	6,749	209	-	6,958
Investments	394,691	261,294	224,404	431,581
Total assets	\$ 401,440	261,503	224,404	438,539
LIABILITIES				
Accounts payable	-	425	-	425
Funds held for performance guarantees	401,440	261,078	224,404	438,114
Total liabilities	\$ 401,440	261,503	224,404	438,539

STATISTICAL SECTION

This part of the Town of Falmouth, Maine's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

Tables

Financial Trends

1-4

These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

5-7

Debt Capacity

These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

8-11

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

12-14

Operating Information

This schedule contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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Table 1

TOWN OF FALMOUTH, MAINE
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities:											
Net investment in capital assets	\$	23,837,500	21,136,556	25,877,739	29,243,561	29,598,688	24,544,049	30,753,086	38,256,352	41,041,245	45,611,250
Restricted		9,521	3,784,303	9,569	81,535	804,873	9,973,196	6,781,723	6,251,719	8,483,144	8,172,054
Unrestricted		19,618,270	19,482,983	19,635,651	19,327,347	20,899,310	18,275,885	17,068,952	18,026,092	16,042,959	13,477,736
Total governmental activities net position	\$	43,465,291	44,403,842	45,522,959	48,652,443	51,302,871	52,793,130	54,603,761	62,534,163	65,567,348	67,261,040
Business-type activities:											
Net investment in capital assets	\$	9,665,108	8,652,332	10,688,897	11,097,823	12,375,251	12,227,194	12,088,052	12,175,806	11,938,638	11,954,332
Unrestricted		1,818,827	4,345,944	2,574,400	2,161,608	2,393,447	2,574,430	2,715,432	2,664,461	3,029,652	3,231,839
Total business-type activities net position	\$	11,483,935	12,998,276	13,263,297	13,259,431	14,768,698	14,801,624	14,803,484	14,840,267	14,968,290	15,186,171
Primary government:											
Net investment in capital assets	\$	33,502,608	29,788,888	36,566,636	40,341,384	41,973,939	36,771,242	42,841,138	50,432,158	52,979,883	57,565,582
Restricted		9,521	3,784,303	9,569	81,535	804,873	9,973,196	6,781,723	6,251,719	8,483,144	8,172,054
Unrestricted		21,437,097	23,828,927	22,210,051	21,488,955	23,292,757	20,850,316	19,784,384	20,690,553	19,072,611	16,709,575
Total primary government net position	\$	54,949,226	57,402,118	58,786,256	61,911,874	66,071,569	67,594,754	69,407,245	77,374,430	80,535,638	82,447,211

Table 2

TOWN OF FALMOUTH, MAINE
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 2,575,331	3,083,472	2,742,510	2,580,559	3,408,826	3,289,549	3,320,569	3,182,216	3,586,007	3,683,548
Financial management	805,940	923,110	1,015,760	1,080,745	943,712	952,802	1,057,419	1,060,159	978,002	1,049,103
Public safety	2,913,369	3,111,729	3,740,309	3,549,819	3,598,536	3,668,031	3,922,211	3,828,094	4,093,811	4,419,078
Public works	3,992,590	4,924,194	4,352,382	4,505,857	3,929,553	4,219,050	3,298,303	3,270,196	4,236,453	2,957,355
Community development	435,608	482,270	552,935	579,745	545,659	1,047,470	1,035,617	619,971	578,546	2,069,053
Community programs and parks	1,140,013	1,417,651	1,270,290	1,156,579	1,028,244	1,027,630	1,219,430	948,169	1,080,035	1,270,322
Education	25,686,458	26,510,116	27,096,801	27,137,788	26,776,233	27,994,675	31,919,090	29,224,616	31,460,774	32,903,013
Interest on long-term debt	898,018	834,510	930,580	852,764	771,046	607,485	1,617,393	1,659,562	1,618,608	1,768,827
Central garage	-	-	-	-	-	-	-	218,903	203,205	239,277
Total governmental activities expenses	38,447,327	41,287,052	41,701,567	41,443,856	41,001,809	42,806,692	47,390,032	44,011,886	47,835,441	50,359,576
Business-type activities:										
Wastewater treatment	1,396,656	1,565,623	1,843,118	1,905,319	1,966,602	1,928,995	1,950,836	1,991,986	1,896,432	2,051,999
Total business-type activities expenses	1,396,656	1,565,623	1,843,118	1,905,319	1,966,602	1,928,995	1,950,836	1,991,986	1,896,432	2,051,999
Total primary government expenses	\$ 39,843,983	42,852,675	43,544,685	43,349,175	42,968,411	44,735,687	49,340,868	46,003,872	49,731,873	52,411,575
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 289,523	340,121	297,705	298,462	201,119	189,795	219,992	234,962	351,006	388,559
Financial management	69,269	97,412	70,318	81,424	75,832	71,604	39,720	51,160	-	-
Public safety	381,021	398,477	390,416	453,270	522,406	669,934	707,946	747,310	720,216	626,114
Public works	2,124,962	2,121,815	2,240,649	2,392,881	2,304,273	2,533,358	2,871,751	2,615,975	495,178	510,650
Community development	213,088	228,087	172,891	158,895	132,975	81,513	103,111	-	11,252	33,042
Community programs and parks	635,127	749,874	658,946	617,505	585,783	4,007	3,066	508,819	655,725	546,224
Education	599,351	52,929	50,872	768,100	707,912	184,679	192,766	166,812	234,653	1,128,358
Central garage	-	-	-	-	-	-	-	238,896	206,343	1,412
Operating grants and activities	8,618,977	10,503,859	10,541,882	10,671,464	9,874,139	10,532,867	10,368,451	11,241,851	11,707,971	12,357,354
Capital grants and contributions	91,742	-	-	-	66,430	526,643	4,468,498	1,270,929	198,649	241,118
Total governmental activities program revenues	13,023,060	14,492,574	14,423,679	15,442,001	14,470,869	14,794,399	18,975,301	17,076,714	14,580,993	15,832,831

TOWN OF FALMOUTH, MAINE
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Business-type activities:										
Charges for services:										
Wastewater treatment	\$ 1,479,721	1,644,486	2,008,539	1,901,453	1,892,069	1,893,277	1,932,503	1,932,503	1,692,615	1,750,443
Operating grants and contributions	-	-	-	-	-	-	-	-	326,673	380,737
Capital grants and contributions	374,252	1,435,478	99,600	-	1,583,800	68,645	20,193	20,193	-	132,600
Total business-type activities program revenues	1,853,973	3,079,964	2,108,139	1,901,453	3,475,869	1,961,922	1,952,696	1,952,696	2,019,288	2,263,780
Total primary government program revenues	\$ 14,877,033	17,572,538	16,531,818	17,343,454	17,946,738	16,756,321	20,927,997	19,029,410	16,600,281	18,096,611
Net (expense)/revenue										
Governmental activities	\$ (25,424,267)	(26,794,478)	(27,277,888)	(26,001,855)	(26,530,940)	(28,012,292)	(28,414,731)	(28,414,731)	(33,254,448)	(34,526,745)
Business-type activities	457,317	1,514,341	265,021	(3,866)	1,509,267	32,926	1,859	1,859	122,856	211,781
Total primary government net expense	\$ (24,966,950)	(25,280,137)	(27,012,867)	(26,005,721)	(25,021,673)	(27,979,366)	(28,412,872)	(28,412,872)	(33,131,592)	(34,314,964)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Property taxes	\$ 24,375,254	23,521,726	24,293,164	25,591,788	25,860,056	26,155,485	27,578,490	27,578,490	32,220,901	32,854,038
Excise taxes	2,387,763	2,382,454	2,399,624	2,293,503	2,317,152	2,364,465	2,384,488	2,384,488	2,911,618	3,040,917
Cable TV franchise fee	147,246	158,018	167,229	175,727	187,195	148,241	209,381	209,381	210,542	210,467
Unrestricted grants and contributions	991,094	957,750	904,046	821,891	694,461	646,733	674,047	674,047	796,872	776,762
Investment earnings	504,903	664,983	594,743	211,170	56,120	33,885	37,596	37,596	80,141	94,277
Miscellaneous	30,952	48,098	38,199	37,080	66,564	153,743	230,732	230,732	125,013	88,103
Total governmental activities	28,437,212	27,733,029	28,397,005	29,131,159	29,181,548	29,502,551	31,114,734	31,114,734	36,345,087	37,064,564
Business-type activities:										
Investment earnings	-	-	-	-	-	-	-	-	5,167	6,100
Total business-type activities	-	-	-	-	-	-	-	-	5,167	6,100
Total primary government	\$ 28,437,212	27,733,029	28,397,005	29,131,159	29,181,548	29,502,551	31,114,734	31,114,734	36,350,254	37,070,664
Change in Net Position										
Governmental activities	3,012,945	938,551	1,119,117	3,129,304	2,650,608	1,490,259	2,700,004	2,700,004	3,090,539	2,537,819
Business-type activities	457,317	1,514,341	265,021	(3,866)	1,509,267	32,926	1,859	1,859	128,023	217,881
Total primary government	\$ 3,470,262	2,452,892	1,384,138	3,125,438	4,159,875	1,523,185	2,701,863	2,701,863	3,218,562	2,755,700

Table 2-A

TOWN OF FALMOUTH, MAINE
Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)
(dollar amounts expressed in thousands)

Fiscal Year		Property Tax	Excise Tax	Total
2006	\$	25,343	2,388	27,731
2007		24,607	2,382	26,989
2008		25,406	2,400	27,806
2009		27,018	2,294	29,312
2010		27,303	2,317	29,620
2011		27,747	2,364	30,111
2012		29,198	2,384	31,582
2013		29,682	2,650	32,332
2014		32,221	2,912	35,133
2015		32,854	3,041	35,895

Table 3

TOWN OF FALMOUTH, MAINE
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

		Fiscal Year									
		2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund											
Nonspendable	\$	-	-	-	-	-	-	65,254	20,011	310,169	308,051
Restricted		70,203	58,707	65,100	64,073	56,735	592,712	577,865	27,110	969,129	785,481
Committed		-	-	-	-	-	6,693,591	5,690,995	831,198	-	-
Assigned		-	-	-	-	-	225,108	128,097	87,335	-	-
Unassigned		-	-	-	-	-	11,320,374	11,514,542	13,266,470	12,007,853	10,578,837
Unreserved:											
Designated		7,011,807	7,875,562	7,730,226	7,702,412	8,275,624	-	-	-	-	-
Undesignated		10,835,557	10,319,158	10,012,721	9,892,643	10,172,493	-	-	-	-	-
Total general fund	\$	17,917,567	18,253,427	17,808,047	17,659,128	18,504,852	18,831,784	17,976,753	14,232,124	13,287,151	11,672,369
All Other Governmental Funds											
Nonspendable	\$	-	-	-	-	-	10,301	18,752	18,752	23,762	23,762
Restricted		-	-	-	-	-	10,462,258	6,933,139	6,224,010	17,274,179	8,804,120
Committed		-	-	-	-	-	-	-	4,844,418	6,815,356	5,737,486
Assigned		-	-	-	-	-	568,048	603,322	1,027,392	-	-
Unassigned		-	-	-	-	-	(1,496)	-	(94,834)	(15,653)	(277,897)
Reserved		17,531	17,560	17,579	19,888	19,898	-	-	-	-	-
Unreserved, reported in:											
Capital Projects Funds		-	3,774,753	-	(1,675,410)	(14,026,231)	-	-	-	-	-
Special revenue funds		2,740,006	2,323,684	2,804,738	2,782,742	3,698,774	-	-	-	-	-
Total all other governmental funds	\$	2,757,537	6,115,997	2,822,317	1,127,220	(10,307,559)	11,039,110	7,555,213	12,019,738	24,097,644	14,287,471

TOWN OF FALMOUTH, MAINE
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues:										
Taxes	\$ 27,730,974	26,989,761	27,805,682	29,311,937	29,620,325	30,111,392	31,469,323	33,704,800	35,167,105	35,954,078
Licenses, fees and permits	456,712	433,534	388,645	407,368	403,230	366,528	412,617	490,400	617,051	448,332
Intergovernmental	10,248,966	11,458,090	11,348,643	12,166,850	11,252,927	11,372,188	11,133,290	12,141,113	11,830,853	12,301,393
Charges for services	446,850	507,521	528,255	552,968	521,217	664,288	732,685	724,432	2,495,788	2,956,653
Fines and forfeitures	24,687	41,509	44,538	51,634	49,232	73,565	42,193	56,568	50,092	48,245
Interest	787,593	1,053,422	949,462	327,630	135,694	105,260	43,010	60,619	80,141	94,277
Miscellaneous	1,353,883	1,451,125	1,233,109	1,257,594	1,376,194	1,675,396	1,788,185	2,192,289	390,554	1,161,945
Total revenues	41,049,665	41,934,962	42,298,334	44,075,981	43,358,819	44,368,618	45,621,303	49,370,221	50,631,584	52,964,923
Expenditures:										
General government	879,552	849,636	771,415	823,859	1,045,930	1,038,658	1,061,434	1,032,042	1,065,691	1,416,430
Financial management	722,924	866,153	1,015,760	1,045,976	824,418	870,631	898,317	1,060,159	978,002	1,049,103
Public safety	2,582,759	2,737,127	2,823,757	2,829,745	2,846,123	3,079,808	3,198,606	3,292,596	3,540,345	3,880,849
Public works	1,735,772	1,830,622	2,182,049	1,857,416	1,727,841	1,909,968	1,818,647	2,293,304	2,379,541	2,267,942
Community development	1,042,116	479,608	546,948	660,259	620,288	610,355	604,505	619,971	578,546	1,578,173
Community programs and parks	389,486	1,141,772	1,147,242	1,130,563	1,005,737	1,070,767	1,098,737	927,687	1,052,917	1,107,795
Education	24,953,185	25,922,321	26,162,517	28,590,190	39,875,382	27,440,999	28,100,902	28,494,449	29,963,464	31,277,421
Non-departmental	626,266	712,101	822,931	834,067	865,324	983,639	975,792	736,554	765,011	992,149
County tax	971,587	992,860	1,051,052	1,141,698	1,134,475	1,153,336	1,181,421	1,208,849	1,321,522	1,376,320
Reserves	1,115,041	2,114,974	1,569,469	(1,613,503)	(12,029,076)	20,610,734	2,301,946	-	-	-
Capital Improvements	1,808,637	1,887,067	5,427,253	6,246,849	14,642,338	-	5,827,908	7,689,360	7,990,066	13,560,125
Debt service:										
Principal	1,438,500	1,388,500	1,583,500	1,583,500	1,288,500	1,288,500	1,288,500	3,140,000	3,140,000	3,980,000
Interest	903,228	837,901	933,502	855,217	870,874	609,000	1,603,518	1,554,806	1,488,006	1,874,932
Total expenditures	39,169,053	41,760,642	46,037,395	45,985,836	54,718,154	60,666,396	49,960,233	52,049,777	54,263,111	64,361,239
Excess (deficiency) of revenues over (under) expenditures	1,880,612	174,320	(3,739,061)	(1,909,855)	(11,359,335)	(16,297,778)	(4,338,930)	(2,679,556)	(3,631,528)	(11,396,316)
Other financing sources (uses)										
Transfers in	-	-	21,889	285,000	-	-	-	13,837,646	2,937,837	3,277,162
Transfers out	(374,252)	(380,000)	(21,889)	(285,000)	-	-	-	(13,837,646)	(2,937,837)	(3,277,162)
Bonds issued	-	3,900,000	-	-	-	47,050,000	-	-	14,400,000	-
Payment to bond refunding agent	-	-	-	-	-	(9,315,000)	-	-	-	-
BAN/ bond premiums	-	-	-	65,840	770,280	236,378	-	-	421,316	-
Sale of general capital assets	-	-	-	-	-	-	-	3,332,054	-	-
Capital leases	113,528	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(260,724)	3,520,000	-	65,840	770,280	37,971,378	-	3,332,054	14,821,316	-
Net change in fund balances	\$ 1,619,888	3,694,320	(3,739,061)	(1,844,015)	(10,589,055)	21,673,600	(4,338,930)	652,498	11,189,788	(11,396,316)
Debt service as a percentage of noncapital expenditures	7.2%	6.3%	5.6%	6.2%	6.1%	5.4%	3.1%	6.8%	9.7%	11.0%

Table 4-A

TOWN OF FALMOUTH, MAINE
General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollar amounts expressed in thousands)

Fiscal Year		Real estate	Personal property	Excise tax	Total
2006	\$	24,798	545	2,388	27,731
2007		24,095	512	2,382	26,989
2008		24,803	604	2,399	27,806
2009		26,534	484	2,294	29,312
2010		26,839	464	2,317	29,620
2011		27,041	427	2,364	29,832
2012		27,041	424	2,384	29,849
2013		28,502	434	2,650	31,586
2014		32,221	469	2,912	35,602
2015		32,466	447	3,041	35,954

Table 5

TOWN OF FALMOUTH, MAINE
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended June 30	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value (2)	Assessed Value as a Percentage of Actual Value
	Commercial Property	Residential Property						
2006	207,286	1,481,572	35,536	66,104	1,658,290	15.36	1,972,000	84.1%
2007	209,298	1,528,550	36,015	68,048	1,705,815	14.40	2,195,200	77.7%
2008	213,570	1,566,180	41,555	68,532	1,752,773	14.60	2,143,400	81.8%
2009	274,904	1,959,084	39,608	77,897	2,195,699 (1)	12.35 (1)	2,171,450	101.1%
2010	333,193	1,923,147	41,407	78,341	2,219,406	12.35	2,131,400	104.1%
2011	332,559	1,931,630	35,325	77,053	2,222,461	12.35	2,071,900	108.1%
2012	334,324	1,953,295	33,580	77,448	2,243,751	12.92	2,097,800	107.8%
2013	361,500	1,951,475	34,031	78,383	2,268,623	13.43	2,091,550	108.5%
2014	363,625	1,972,150	33,250	81,885	2,287,140	14.12	2,091,550	109.4%
2015	339,224	2,038,131	31,738	80,230	2,328,863	14.10	2,141,950	108.7%

SOURCE: Falmouth Assessor's office.

(1) A revaluation designed to bring assessed values in line with market values was conducted.

(2) Estimated actual valuation amounts are the state equalized values published by Maine Revenue Services.

Table 5A

TOWN OF FALMOUTH, MAINE
Direct and Overlapping Property Tax Rates
Last Nine Fiscal Years

Fiscal Year	Direct			Total Tax Rate
	Town Rate	Education Rate	County Rate (a)	
2007	3.18	10.62	0.61	14.41
2008	2.53	8.79	0.51	11.83
2009	2.95	8.85	0.55	12.35
2010	3.00	8.81	0.54	12.35
2011	3.04	8.77	0.54	12.35
2012	3.01	9.36	0.55	12.92
2013	3.01	9.86	0.56	13.43
2014	3.05	10.46	0.61	14.12
2015	3.09	10.42	0.59	14.10

(a) Cumberland County assesses a county tax to the Town of Falmouth. The Town includes the county assessment in the Town's total direct tax rate. The rate shown here reflects the portion of the Town's total direct tax rate levied by the Town to pay the county tax assessment.

Table 6

TOWN OF FALMOUTH, MAINE
Principal Property Taxpayers
Current Year and Nine Years Ago
(amounts expressed in thousands)

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Ocean View Retirement LLC	\$ 56,134	1	2.41%	\$ 23,542	1	1.42%
ARC	27,681	2	1.19%			
Falmouth Realty Associates	27,212	3	1.17%	15,314	3	0.92%
Central Maine Power Co.	17,919	4	0.77%			
Princeton Falmouth LLC	16,016	5	0.69%			
Portland Country Club	11,120	6	0.48%	8,932	6	0.54%
Falmouth Plaza LLC	10,897	7	0.47%	9,346	5	0.56%
Falmouth Ventures LLC	9,238	8	0.40%	7,383	10	0.45%
Marr Associates, LLP	8,536	9	0.37%			
Hannaford Bros. Inc.	7,813	10	0.34%	8,289	8	0.50%
West Falmouth Development LLC				17,270	2	1.04%
John S. Marr				8,739	7	0.53%
Foreside Housing Agency				11,460	4	0.69%
Woodlands Club				7,495	9	0.45%
Totals	\$ 192,566		8.29%	\$ 117,770		7.10%

SOURCE: Falmouth tax office

Table 7

TOWN OF FALMOUTH, MAINE
Property Tax Levies and Collections
Last Ten Fiscal Years
(amounts expressed in thousands)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	25,208	24,726	98.1%	482	25,208	100.0%
2007	24,347	23,883	98.1%	462	24,345	100.0%
2008	25,298	24,739	97.8%	555	25,294	100.0%
2009	27,078	26,454	97.7%	620	27,074	100.0%
2010	27,369	26,699	97.6%	665	27,364	100.0%
2011	27,618	26,969	97.7%	640	27,609	100.0%
2012	29,218	28,330	97.0%	853	29,183	99.9%
2013	30,706	29,509	96.1%	976	30,485	99.3%
2014	32,294	31,382	97.2%	627	32,009	99.1%
2015	32,837	31,871	97.1%	-	31,871	97.1%

Table 8

TOWN OF FALMOUTH, MAINE
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)

Fiscal Year	Governmental Activities			Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	Wastewater Revenue Bonds				
2006	\$ 17,486	-	180	-		17,666	4.6%	1,673
2007	19,998	-	127	6,480		26,605	6.8%	2,520
2008	18,414	-	76	6,156		24,646	6.2%	2,314
2009	16,831	8,000	23	5,832		30,686	7.7%	2,852
2010	15,542	28,175	-	5,508		49,225	12.0%	4,548
2011	51,989	150	-	5,184		57,323	14.0%	5,125
2012	50,700	100	-	4,860		55,660	10.4%	4,976
2013	47,560	-	-	4,536		52,096	9.8%	4,658
2014	59,241	-	-	4,212		63,453	11.4%	5,673
2015	55,237	-	-	3,888		59,125	10.6%	5,286

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

Table 9

TOWN OF FALMOUTH, MAINE Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years (amounts expressed in thousands, except per capita amount)			
Fiscal Year	General Obligation Bonds	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2006	17,486	0.89%	1,656
2007	19,998	0.91%	1,894
2008	18,414	0.86%	1,729
2009	16,831	0.78%	1,564
2010	15,542	0.73%	1,436
2011	51,989	2.51%	4,648
2012	50,700	2.42%	4,533
2013	47,560	2.27%	4,252
2014	59,241	2.83%	5,296
2015	55,237	2.58%	4,938

Note: Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

TOWN OF FALMOUTH, MAINE
Direct and Overlapping Governmental Activities Debt
As of June 30, 2015
(amounts expressed in thousands)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping debt:			
Cumberland County	\$ 37,125	5.44%	2,019
Portland Water District	45,699	8.25%	3,769
Subtotal, overlapping debt	82,824		5,788
 Town of Falmouth direct debt	 55,237	 100.00%	 55,237
Total direct and overlapping debt	\$ 138,061		61,025

Overlapping debt

The Town is subject to an annual assessment of its proportional share of Cumberland County expenses, including debt repayment, as determined by the percentage of the Town's State valuation to the County's State valuation.

At June 30, 2015, the Town's State valuation for comparison to the County of \$2,141,950,000 was 5.44% of the County's State valuation of \$39,379,600,000. The Town's share is 5.44% or \$2,019,317 of Cumberland County's \$37,125,000 long-term debt outstanding as of June 30, 2015.

The Town is also served by the Portland Water District. At June 30, 2015, the Town's share of self-supporting bonded water debt is 8.25% or \$3,769,491 of the total debt of \$45,698,839.

Table 11

TOWN OF FALMOUTH, MAINE
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in thousands)

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed value per State	\$ 1,766,750	1,972,000	2,195,200	2,143,400	2,171,450	2,131,400	2,071,900	2,097,800	2,091,550	2,141,950
Total debt limit - all purposes - 15% of assessed value	295,800	329,280	321,510	325,718	319,710	310,785	314,670	314,670	313,733	321,293
Less outstanding debt applicable to debt limit	17,486	26,478	24,570	22,663	21,050	57,173	55,560	52,096	63,032	59,125
Legal debt margin	278,314	302,802	296,940	303,055	298,660	253,612	259,110	262,574	250,701	262,168
Total outstanding debt applicable to the limit as a percentage of debt limit	5.91%	8.04%	7.64%	6.96%	6.58%	18.40%	17.66%	16.56%	20.09%	18.40%
The debt limit is restricted by State statute based on the assessed value per the State above and the percentages below.										
Municipal purposes - 7.5%										
Debt limit	\$ 147,900	164,640	160,755	162,859	159,855	155,393	157,335	157,335	156,866	160,646
Less outstanding debt applicable to debt limit	981	4,400	3,950	3,500	3,300	3,100	2,900	2,700	11,900	11,507
Debt margin for municipal purposes	146,919	160,240	156,805	159,359	156,555	152,293	154,435	154,635	144,966	149,139
Outstanding debt applicable to the limit as a percentage of debt limit for municipal purposes	0.66%	2.67%	2.46%	2.15%	2.06%	1.99%	1.84%	1.72%	7.59%	7.16%
School purposes - 10%										
Debt limit	197,200	219,520	214,340	217,145	213,140	207,190	209,780	209,780	209,155	214,195
Less outstanding debt applicable to debt limit	16,505	15,405	14,310	13,215	12,165	48,850	47,800	44,860	46,920	43,730
Debt margin for school purposes	180,695	204,115	200,030	203,930	200,975	158,340	161,980	164,920	162,235	170,465
Outstanding debt applicable to the limit as a percentage of debt limit for school purposes	8.37%	7.02%	6.68%	6.09%	5.71%	23.58%	22.79%	21.38%	22.43%	20.42%
Storm and sanitary sewer purposes - 7.5%										
Debt limit	147,900	164,640	160,755	162,859	159,855	155,393	157,335	157,335	156,866	160,646
Less outstanding debt applicable to debt limit	-	6,673	6,310	5,948	5,585	5,223	4,860	4,536	4,212	3,888
Debt margin for sewer purposes	147,900	157,967	154,445	156,911	154,270	150,170	152,475	152,799	152,654	156,758
Outstanding debt applicable to the limit as a percentage of debt limit for sewer purposes	0.00%	4.05%	3.93%	3.65%	3.49%	3.36%	3.09%	2.88%	2.69%	2.42%
Maximum total debt limit - 15%	295,800	329,280	321,510	325,718	319,710	319,710	310,785	314,670	313,733	321,293

Table 12

TOWN OF FALMOUTH, MAINE
Demographic Statistics
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (000's)	Per Capita Income (1)	Median Age (1)	Years of Formal Schooling (1)	School Enrollment (2)	Unemployment Rate (3)
2006	10,556	387,574	36,716	40.7	13.4	2,153	3.5%
2007	10,653	391,136	36,716	40.7	13.4	2,145	3.5%
2008	10,761	395,101	36,716	40.7	13.4	2,153	4.0%
2009	10,823	397,377	36,716	40.7	13.4	2,131	6.8%
2010	11,185	410,668	36,716	40.7	13.4	2,133	6.5%
2011	11,185	410,668	36,716	40.7	13.4	2,099	5.3%
2012	11,185	533,435	47,692	45.3	13.4	2,150	4.9%
2013	11,185	533,435	47,692	45.3	13.4	2,140	4.7%
2014	11,185	555,612	47,692	46.8	13.4	2,126	4.4%
2015	11,185	555,612	47,692	45.3	13.4	2,119	3.2%

Sources:

(1) U.S. Bureau of Census. 2010 latest available population, per capita income and median age figures.

(2) Maine Department of Education

(3) Maine Department of Labor.

Table 13

TOWN OF FALMOUTH, MAINE
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	2015			2006		
	<u>Employees</u>	<u>Rank</u>	<u>Estimated Percentage of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Estimated Percentage of Total Town Employment</u>
TD Banknorth	444	1	9.02%			
Town of Falmouth	440	2	8.11%	380	1	11.13%
Tyler Technologies	375	3	3.81%	105	4	3.08%
Hannaford Bros.	200	4	4.06%			
Sedgewood Commons	150	5	3.05%	130	2	3.81%
Shaw's Supermarket	150	5	3.05%	125	3	3.66%
Falmouth-by-the-Sea	118	7	2.40%	80	6	2.34%
Skillin's Greenhouses	107	8	2.17%	37	9	1.08%
The Woodlands Club	102	9	2.07%			
Ocean View Assisted Living	77	10	1.56%			
Governor Baxter School for the Deaf				86	5	2.52%
Northern Data Systems, Inc.				50	8	1.46%
Peerless Insurance Co.				55	7	1.61%
Gemini Systems Inc.				23	10	0.67%
Totals	2,163		39.30%	1,071		31.36%

SOURCE: Estimated based on closest approximate year with information.

Table 14

TOWN OF FALMOUTH, MAINE
Full-time Equivalent Regular Town Employees by Function (1)
for the Last Seven Fiscal Years *

	2009	2010	2011	2012	2013	2014	2015
General Government	23	23	23	23	23	22	23
Public Safety:							
Police:							
Officers (including harbormaster)	16	16	17	18	18	18	18
Civilians	6	8	8	8	8	8	8
Fire/EMS Protection:							
Officers	2	2	2	1	1	2	3
Administrative	1	1	1	1	1	1	1
Public Works:							
Public Works	11	10	11	12	14	12	12
Solid Waste	2	2	2	1	1	2	2
Vehicle maintenance	4	3	3	3	3	3	3
Community Programs and Parks:							
Community Programs	4	4	4	5	5	4	4
Parks	3	2	2	2	2	2	2
Education:							
Instructional	182	178	183	181	181	202	205
Other	172	152	142	137	139	141	143
Wastewater Treatment	7	7	7	7	7	7	7
Total	433	408	405	399	403	424	431

Source: Town payroll office, School Department; * records not compiled in this format before 2008.

(1) Includes only "regular" Town employees, excludes non-regular seasonal and "on-call" employees.

Table 15

TOWN OF FALMOUTH, MAINE
Selected Operating Indicators and Capital Asset Statistics by Function
for the Last Seven Fiscal Years *

Date of incorporation							1718
Form of government							Council/Manager
Area in square miles							32
	2009	2010	2011	2012	2013	2014	2015
General government:							
Number of motor vehicle registrations	11,124	11,342	11,273	11,933	12,802	13,119	13,486
Number of building permits issued	194	235	223	227	232	254	233
Number of real estate parcels	5,204	5,228	5,238	5,251	5,259	5,287	5,318
Public safety:							
Police:							
Number of stations	1	1	1	1	1	1	1
Number of patrol units	9	9	9	9	11	11	11
Number of requests for service (1)	16,245	24,630	22,823	21,959	18,383	21,782	17,480
Number of law violations:							
Physical arrests	184	114	101	108	130	154	117
Traffic violations	3,989	3,984	4,422	4,008	3,588	3,921	3,654
Parking violations	240	286	131	93	472	257	138
Number of street lights	614	614	612	612	610	614	614
Number of harbor moorings	1,221	1,114	1,114	1,109	1,104	1,081	1,118
Fire/EMS Protection:							
Number of stations	4	4	3	3	3	2	2
Number of fire apparatus	12	12	10	10	9	9	9
Number of Fire Dept. requests for service	551	576	539	615	582	555	733
Number of ambulances	2	2	3	3	3	3	3
Number of EMS requests for service	907	941	1,039	1,022	967	1,072	1,063
Public works:							
Miles of streets	75	75	76	76	76	77	78
Traffic signals	13	13	13	12	12	12	12
Number of vehicles and rolling equipment	54	54	56	56	42	42	43
Community Programs & Parks:							
Number of recreational and adult education programs	450	460	456	514	470	521	652
Number of program participants	7,318	7,618	6,800	6,800	7,800	8,065	9,448
Parks and open space areas	50	50	50	50	50	50	50
Park acreage	119	119	119	119	119	119	119
Skating rinks	2	2	2	2	2	1	1
Tennis courts	9	9	9	9	9	9	9
Education:							
Number of elementary schools	3	3	3	2	2	2	2
Number of elementary school students	1,456	1,431	1,405	1,423	1,405	1,416	1,149
Number of secondary schools	1	1	1	1	1	2	1
Number of secondary school students	675	702	694	727	735	710	692
Number of school buses, vans and rolling equipment	39	42	42	42	42	40	40
Wastewater Treatment:							
Miles of sanitary sewers	55	55	55	55	56	56	56
Number of treatment plants	1	1	1	1	1	1	1
Number of maintenance vehicles	6	6	6	4	4	4	4
Number of service connections	2,174	2,174	2,249	2,273	2,300	2,335	2,342
Daily average treatment in gallons	1,027,000	1,027,000	952,000	971,000	907,000	889,000	978,000
Maximum daily licensed capacity in gallons	1,500,000	1,500,000	1,560,000	1,560,000	1,560,000	1,560,000	1,560,000

Sources: Falmouth Annual Town Report, Town department records;
(records not compiled in this format before 2008).

(1) Increase in Police calls for service reflects new method for logging and recording calls, as well as addition of regional dispatching responsibilities in 2010.

SINGLE AUDIT SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Town Council
Town of Falmouth, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Falmouth, Maine's basic financial statements and have issued our report thereon dated December 21, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Falmouth, Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Falmouth, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Falmouth, Maine's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, CONTINUED

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Falmouth, Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted other certain matters that we reported to management of the Town of Falmouth, Maine in a separate letter dated December 21, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



December 21, 2015
South Portland, Maine

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Town Council
Town of Falmouth, Maine

Report on Compliance for Each Major Federal Program

We have audited the Town of Falmouth, Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Falmouth, Maine's major federal programs for the year ended June 30, 2015. The Town of Falmouth, Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Falmouth, Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Falmouth, Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town of Falmouth, Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town of Falmouth, Maine, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED

Report on Internal Control over Compliance

Management of the Town of Falmouth, Maine, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town of Falmouth, Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Falmouth, Maine's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Falmouth, Maine, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of Falmouth, Maine's basic financial statements. We issued our report thereon dated December 21, 2015, which contained unmodified opinions on those financial statements.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133, CONTINUED**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink, reading "Remya Kristen Ouellette". The signature is written in a cursive, flowing style.

December 21, 2015
South Portland, Maine

TOWN OF FALMOUTH, MAINE
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA number	Pass- through number	Program or award amount	Balance at June 30, 2014	Federal revenue recognized	Other revenue	Federal expenditures recognized	Other expenditures	Balance at June 30, 2015
U. S. Department of Education, Passed through Maine Department of Education:									
Title IA - Disadvantaged	84.010	3107	\$ 35,443	(50)	35,443	-	35,443	-	(50)
Special Education - Grants to States	84.027	3046	448,676	(8,242)	493,702	-	485,468	-	(8)
IDEA - Preschool	84.173	6241	3,863	-	3,863	-	3,863	-	-
Title IIA	84.367	3042	29,992	-	40,740	-	36,105	-	4,635
Total U. S. Department of Education				(8,292)	573,748	-	560,879	-	4,577
U. S. Department of Agriculture, Passed through Maine Department of Education:									
National School Lunch Program	10.555	013-3022/3025	N/A	105,084	69,185	673,243	69,185	644,569	133,758
Breakfast Program	10.553	013-3014	N/A	-	6,072	-	6,072	-	-
Food Donation Program	10.555	N/A	N/A	-	15,449	-	15,449	-	-
Total U. S. Department of Agriculture				105,084	90,706	673,243	90,706	644,569	133,758
U.S. Department of Housing and Urban Development, Passed through Cumberland County, Maine:									
CDBG - Food Pantry	14.228	N/A	39,200	-	38,954	-	38,954	-	-
Total U. S. Department of Housing and Urban Development				-	38,954	-	38,954	-	-
U.S. Department of Justice, Passed through Maine Department of Justice:									
Justice Assistance Grant	16.738	N/A	1,225	-	1,225	-	1,225	-	-
Total U. S. Department of Justice				-	1,225	-	1,225	-	-
U.S. Department of of Homeland Security, Passed through Maine Emergency Management Agency:									
FEMA Disaster Relief	97.036	N/A	39,988	-	39,989	-	39,989	-	-
FY 14 Homeland Security Grant	97.067	N/A	5,056	-	-	-	3,444	-	(3,444)
Total U.S. Department of of Homeland Security				-	39,989	-	43,433	-	(3,444)
U.S. Department of Transportation, Federal Highway Administration, Passed through Maine Department of Public Safety:									
2015 "Drive Sober or Get Pulled Over" (OUI)	20.600	ID15-026	5,000	-	2,670	-	2,670	-	-
2015 Speed Enforcement Program	20.600	PT15-013	11,000	-	4,863	-	4,863	-	-
2015 Seatbelt (R.I.D.E.)	20.600	N/A	5,000	-	2,228	-	2,228	-	-
2015 MeBHS Equipment Grant	20.600	N/A	10,000	-	6,449	-	6,449	-	-
Total U. S. Department of Transportation				-	16,210	-	16,210	-	-
Total federal awards				\$ 96,792	760,832	673,243	751,407	644,569	134,891

See accompanying notes to schedule of expenditures of federal awards.

TOWN OF FALMOUTH, MAINE
Notes to Schedule of Expenditures of Federal Awards
June 30, 2015

PURPOSE OF THE SCHEDULE

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-profit Organizations, requires a Schedule of Expenditures of Federal Awards showing total expenditures for each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA).

SIGNIFICANT ACCOUNTING POLICIES

- A. Reporting Entity - The accompanying schedule includes all federal award programs of the Town of Falmouth, Maine for the fiscal year ended June 30, 2015. The reporting entity is defined in the notes to basic financial statements of the Town of Falmouth, Maine.
- B. Basis of Presentation - The information in the accompanying schedule of expenditures of federal awards is presented in accordance with OMB Circular A-133.
 - 1. Pursuant to OMB Circular A-133, federal awards are defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations.
 - 2. Major Programs - OMB Circular A-133 establishes the level of expenditures or expenses to be used in defining major federal award programs. Major programs for the Town of Falmouth, Maine are identified in the summary of auditor's results in the schedule of findings and questioned costs.
- C. Basis of Accounting - The information presented in the schedule of expenditures of federal awards is presented on the modified accrual basis of accounting, which is consistent with the reporting in the Town's fund financial statements.

TOWN OF FALMOUTH, MAINE
Schedule of Findings and Questioned Costs
June 30, 2015

Section I - Summary of Auditor's Results

Basic Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No
Identification of major programs:	

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027; 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

TOWN OF FALMOUTH, MAINE
Schedule of Findings and Questioned Costs, Continued

Section II - Findings Required to be Reported Under *Government Auditing Standards*

None

TOWN OF FALMOUTH, MAINE
Schedule of Findings and Questioned Costs, Continued

Section III - Findings and Questioned Costs for Federal Awards

None

TOWN OF FALMOUTH, MAINE
Schedule of Findings and Questioned Costs, Continued

Section IV - Status of Prior Year Findings and Questioned Costs for Federal Awards

None